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EDITORIAL

As We See It

This is a piece about political fetishes. It is, in essence, a protest and warning against those social and personal slogans which, arising from some intellectual desert, often render it almost impossible for the individual who wishes a breath of fresh air to avoid them. They tend to govern opinion and to control action wholly without logical validity or even relevance. In many respects, they are one of the most deadly enemies of collective sanity. If only some way could be found to immerse them with millstones about their individual necks 40 fathoms under the surface of the sea!

Now to give chapter and verse. "Softness" toward the Kremlin or toward Communism is now the present day counterpart of the "appeasement" crime of a decade and a half ago. Memories are traditionally short, and it may well be that many of us have already forgotten the power of that word during the later 'Thirties. Some may not even yet realize the effect it had upon decisions and the far from always wholesome influence upon the course of history for the larger part of a decade. Now appeasement of Hitler certainly never turned out to be very profitable. Few would undertake to assert that this kind of purchase of good will from that distasteful figure would have at any time been good public policy. This rather simple and obvious fact, however, need not have led to the extremes of thought and action that are responsible for not a few of our difficulties today.

Then Appeasement, Now Softness

We seem to be in a somewhat similar danger from the state of mind that we have developed

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Outlook for Business And Investments

By HAROLD S. CHERRY*

First Vice-President, Lionel D. Edie & Co., N. Y. City

Asserting our economic system changes with the minds of the masses, and nobody knows for certain what turn it will take next, Mr. Cherry describes factors back of present "boom" and maintains it "has been shored up by one stimulus after another for a decade." Foresees no additional stimulus, and holds there is "some weakening in the structure." Says nation is in one of great credit cycles of history and warns of impact of excessive government and private indebtedness. Warns business activity is going too fast and profit margins could decline more than the index to prosperity. Calls for caution in stock market.

We talk about the impact of economics but what impacts are back of economics? You are among the most important. An ex-Chairman of the Federal Reserve Board once mistook me for an economist and said, "You economists are all right but you don't know the most important single thing there is to know in your field, and that is, what is the average housewife in America going to do with the pay check next week?" Our economic system changes with the mind of the mass and nobody knows for certain what turn it will take next.

H. S. Cherry

Even if we could foresee the basic economic trends with absolute confidence, it is not certain we could foretell stock market movements with satisfaction. However, we can explain the broader market movements of the past on the basis of economic trends, so there must be a close connection. Economics and markets are too complicated for one to

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*A talk by Mr. Cherry at a meeting of the Financial Forum for Women at the Pennsylvania Company for Banking and Trusts, Philadelphia, Pa., April 27, 1953.

Extinction via Regulation —An Indictment of the SEC and ICC

By O. GLENN SAXON*

Professor of Economics, Yale University
Member Economists' National Committee on Monetary Policy

Dr. Saxon proposes elimination of Securities and Exchange Commission as not only a superfluous but also a positively harmful government agency. Holds broader definition of law of fraud with effective enforcement by Justice Department an adequate substitute. Calls administration of SEC acts "prejudiced and punitive" and warns forcing private investment banking to "wither on the vine" may lead to displacing private capital in domestic and international field by government. Says monopoly no longer exists in transportation field and urges abolition of ICC.

Mr. Chairman and members of the New York Security Dealers Association, it is a real pleasure to be here with you. May I first say that my subject tonight is one which I think will interest you.

Dr. O. Glenn Saxon

So far as I know, only one or two members of your Association are aware of the topic I have chosen, and I assure you it was not picked at their suggestion. I am making this point because it is quite possible that what I say here will arouse a barrage of criticism from one direction or another, and I don't think this Association should be held responsible for my views. But I am going to state those views frankly, as I see them, and I am talking

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*An extemporaneous address by Dr. Saxon before the New York Security Dealers Association, New York City, April 23, 1953.

ON THE INSIDE — A glance at the Index on page 3 vividly shows the wealth of information of vital importance to the securities field, investors, and businessmen which is available in the Thursday "Chronicle" every week throughout the year.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Minneapolis-Honeywell Regulator Co.—William B. Anderson, Analyst, Ball, Burge & Kraus, Cleveland, Ohio. (Page 2)

Eastman Kodak Co.—August Huber, Spencer Trask & Co., New York City. (Page 2)

Insurance Co. of North America and Affiliated Companies—Charles F. O'Reilly, J. W. Sparks & Co., Philadelphia, Pa. (Page 29)

WILLIAM B. ANDERSON

Analyst, Ball, Burge & Kraus, Cleveland, Ohio
Members, New York Stock Exchange

Minneapolis-Honeywell Regulator Co.

Some indication of a company's growth potential is furnished by its attitude toward research. With Minneapolis-Honeywell, research is of paramount importance and one in every ten of its 22,000 employees is engaged in research or engineering activities. Such emphasis should result in a continuation of the vigorous growth trend so evident in the following peak-year sales figures:

William B. Anderson

	Millions
1929	$ 6.2
1937	15.8
1944	89.3
1952	165.7

Known at one time largely for its thermostats, Minneapolis-Honeywell now is a diversified operation covering a wide field of automatic controls. A large percentage of such products are electronic in nature.

The company's controls are used in residential, commercial and industrial heating and air-conditioning; and in industrial processes are put to such uses as regulating and recording temperature, humidity, combustion, pressure, vacuum and flow of liquids.

The company makes aircraft control systems and components and tank gunfire controls, and other ordnance control systems. It also makes snap action switches, valves, appliance controls and marine ultrasonic equipment.

The list contains many products which fit in with the trend toward automatic processes whether they be in the home, in industry or in the military field. The increasing use of air conditioning equipment should benefit Minneapolis-Honeywell and the trend in the direction of the "automatic factory" will likewise increase the demand for the company's products. Know-how gained in the manufacture of intricate defense products, largely electronic in nature, will be of great future value in the manufacture of civilian products.

There are several favorable factors with regard to residential heating controls which should be noted. Because of replacement and modernization demand, sales are not entirely dependent on new construction. A greater sales potential per residence seems possible in the trend toward zoning homes into two or more areas each controlled by its own thermostat. Of similar nature is the use of controls for individual suites in apartment buildings.

By way of interest it should be added that the company's products are represented in the development and production program of the Atomic Energy Commission, and important installation and engineering contributions have been made in the guided missile and jet engine test-cell programs.

The company's capitalization at the year-end was composed of $35,000,000 long term debt, 160,000 shares of 3¾% $100 par preferred, each share of which is convertible into 1 9/11 shares of common, and 2,827,495 shares of common stock. As with other growth stocks, the common sells at a high price in relation to earnings and dividends. Currently it is quoted at almost twenty times 1952 earnings of $3.00 and yields 3¾% on 1952 payments of $2.25. Although 1952 represents the company's peak sales year, its largest earnings — $4.78 per share — occurred in 1950. Operations in 1952 were adversely affected by a number of factors some of which will carry less weight in 1953. Among them were price controls and higher costs of many varieties, including increased "make ready" costs on defense products. However, sharp improvement in earnings was evident in the second half of 1952 with over $2.00 of the year's $3.00 earnings being reported in that half. Earnings prospects for 1953 are good.

Looking to the future, Minneapolis-Honeywell's research assures continued excellent growth, making its common stock a highly desirable holding. The company is represented in two fields that are especially favored at this time for growth — electronics and air conditioning — and other interesting fields will be added as a result of research. A long term holder of the stock should be well rewarded.

Minneapolis-Honeywell common is listed on the New York Stock Exchange.

AUGUST HUBER

Spencer Trask & Co., N. Y. City
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Eastman Kodak Company

In the vernacular of the trade, the market performance of Eastman Kodak shares during the past year has been somewhat on the negative side. The prospects however, suggest the development of a distinctly more colorful picture. Investment consideration may be focused on the following points which briefly summarize pertinent factors along with our views:

August Huber

(1) Marketwise, the shares have been confined to a relatively narrow price area during the past year, ranging between 41⅞ and 48. The present price is 45¾.

(2) A first-line "quality" investment issue, the company has enjoyed an encouraging record of growth with the sales running ahead of the economic expansion of the country. Since 1940, the country's economic growth, as measured by Gross National Product, has increased 340%. Eastman Kodak sales during the same period expanded 420%. Since 1946, Gross National Product has advanced 64% and Kodak sales by 100%. Sales in 1952 reached a new record high at $575 million.

(3) The increase in Eastman's business has been achieved through a program of (a) marked expansion of plant and equipment, (b) relentless research and development, (c) entrance into new fields, and (d) excellent distribution and sales organization.

(4) Since 1945 the company has spent $256,000,000 on modernization and expansion of plant facilities and new equipment, forming the base for broader sales and increasing over-all operating efficiency. The new Texas chemical plant will provide an owned source of many raw materials used by Eastman with residual output to be sold to outside customers.

(5) An aggressive research program has improved and materially widened the company's regular line of products. Diversification, through entrance into new and growing fields, and new-product introduction, has also contributed to wider markets and basic sales expansion.

(6) The heavy capital expenditures have been completely financed internally through retained earnings and depreciation reserves. The company has done no equity financing nor has it incurred any debt. The financial position is exceptionally strong and near-term future expenditures will continue to be financed entirely from within.

(7) Sales reached a new record high last year at $575 million, a gain of 6%. Net earnings, adjusted to the number of shares to be outstanding this year after the May stock dividend, were equivalent to $2.61 per share compared with $2.80 in 1951.

(8) Profit margins last year were adversely affected by the decline in the textile business "starting up" expenses on the new Texas chemical plant, along with other factors.

(9) Gains were registered in the company's major lines of photographic equipment, films, chemicals, etc., with an extension of this gain indicated for this year.

(10) I would project 1953 sales volume around 6% above last year and look for a recovery in the profit margin in view of anticipated improvement in the textile and plastic lines, compared with last year, along with the Texas chemical plant's beginning profitable operations.

(11) Estimated 1953 earnings should be around $3 per share, compared with $2.61 last year. Should the excess profits tax expire as scheduled on June 30, earnings could approximate at least $3.50 per share.

(12) Dividends have been paid each year since 1902. Cash dividends have totaled $1.80 per share during the past three years—supplemented by stock dividends. The latest is 5%, payable in May, and ex-dividend April 28.

(13) Of basic importance is the recent adjustment in the company's employees' bonus—stockholders' dividend arrangement. This adjustment, it appears, points to more liberal cash dividend disbursements both this year and the years ahead; 1953 cash dividends may total $2 per share, plus the forthcoming 5% stock dividend.

(14) Reflecting their investment status, and the underlying growth trend of the company, the shares characteristically sell at a relatively high market price compared with earnings and dividends.

(15) On the basis of average annual earnings and market prices during the past 10 years, the stock has sold from 12.8 to 15.7 times

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No Grounds for Assumption of A Post-Korean Economic Slump

By HON. SINCLAIR WEEKS*
Secretary of Commerce

Contending there is no reason to fear a slump if peace comes, Secretary Weeks stresses Eisenhower proposal to war on worldwide poverty and divert from armaments to building up backward areas through investment abroad that will yield profits to both American capital and American labor. Says this program is not "tin cup charity," and private enterprise could have assurance that its private investments would not be expropriated. Decries Jeremiahs who create fear psychology.

Hardheaded businessmen should be interested in the new peace feelers expressed in "Pravda." On the surface, at least, they seem to hint that Moscow may react more favorably to President Eisenhower's practical program for permanent peace.


Sinclair Weeks

Of course, experience prompts us to keep our fingers crossed and our powder dry. On the other hand, the President's logic in his epochal speech may have convinced the new rulers of the Kremlin that world tensions should be relaxed and that trade should take the place of barbed wire frontiers.

We must not lower our guard as we explore Moscow's intentions. We must continue to maintain our national security and to keep the free world strong. This duty in itself precludes a sudden nose dive in defense production.

But neither should we stop praying for a satisfactory end to the Korean War and an end to the other military threats in Asia and Europe.

Regardless of any flutters in the stock market, the smartest and most farsighted businessmen in the United States know from experience and logic that the best thing that could happen to America would be for the entire world to follow President Eisenhower's newly mapped path to peace.

Suppose, for the sake of argument, 20 years of uninterrupted peace could be guaranteed for mankind. Think what a tidal wave of peacetime output and world trade would follow were the brains and brawn of industry entirely released to produce and sell useful things.

Build a machine gun and what happens? It either rusts in a warehouse or blows up on a battlefield. Beyond producing a higher standard of killing, it has no value.

Build a washing machine and this happens: It takes the drudgery out of some woman's life. Other women so want to share her ease that they buy washing machines for themselves — thus creating a higher standard of living.

When tax money stops going to pay for weapons and the waste of war, it will be spent by the public for the things the ingenuity of management can produce.

One of the greatest stimulants to future productions would be a new war on world poverty, described by President Eisenhower in his magnificent speech. American investment and American goods would be diverted from armaments to building backward areas and yielding profits both to American capital and labor.

No Tin Cup Charity

This conception is no mere tin cup charity. It is a global situation in which private enterprise could have the assurance that its foreign investments would not be expropriated and that returns would be adequate. It is a possible condition in which rising living standards abroad would seek and pay for American exports.

Beyond any near future adjustments, as the result of defense cutbacks, is the bright long-range picture of practical dreams coming true.

Are we too optimistic about the economic outlook?

No, in letters so big that only a billboard can display them.

Americans cannot be too optimistic about the future of the United States—provided we have the same long-range vision and enterprising spirit that have characterized our history since the days the chicken-hearted wailed, "Christopher Columbus is too optimistic."

Stock market fluctuations—of course. Adjustments during transitions following later reduction in defense spending—sure. Some downturns in business activity in specific lines after over-stimulation ends—yes.

But no old-fashioned depression.

The Administration will not sit twirling its thumbs if at some far off date it should be confronted by a sizable economic emergency.

There are no grounds for assumption of a post-Korean economic slump. Certainly not if businessmen plan now, ahead of defense cutbacks, to expand old markets and develop new.

Jeremiahs Creating Fear Psychology

Some trouble could come, however, if a minority of Jeremiahs in the business community or the writing profession voice such unwarranted gloom about tomorrow as might create an unnecessary

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*An address by Secy. Weeks at the 41st Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., April 28, 1953.

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*Article not available this week. †Discontinued. See "The Market . . . and You," by Wallace Streete on page 16.

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Beckoning Bonds

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Some topical comment of interest to bondholders, especially the somewhat forgotten individual ones.

For today's midget monograph we'll start by turning back the financial pages of history 30 years—to those idyllic times when bonds (and bond salesmen) were a blonde's best friend, and when the number one calling of the graduating collegian was to represent Harris Forbes, National City Company, Lee Higginson, Halsey Stuart & Co., the Guaranty Company and the other leading lien merchants of those fat days. Given a three button suit, a derby hat, a stiff collar, and an academic sheepskin, and you were ready for syndicate meeting, speak-easy luncheon, or a sales offering spiel to a spinister heiress. For America, which had waxed prosperous in World War I, and created a vast new generation of security buyers via Liberty Bond purchase, was ready to do some king-size corporate financing, in the main through the sale of bonds.

Ira U. Cobleigh

What with Government Bonds yielding 4¼% in 1923, and many savings banks paying interest at 4% in that burgeoning era, corporate (and real estate mortgage) bonds with enticing yields of from 5¼% to 7%, made a succulent market dish. Hundreds of thousands of our fellow-citizens used investments of this sort as their port of entry into the corporate security markets. (Some stayed with bonds but a little while, straying over in the most hazardous and volatile equity pastures in the fading twenties—but that's another story.)

Just to see the merchandise offered by the bond men of those days, glance over, if you will, some leading underwritings, selected from the first half of 1923; and from our vantage point 30 years later, see the attractive coupon cuisine that made bond buyers out of a million private investors. The list is shown in Table I.

Imagine, for instance, Illinois Bell Telephone 1st Mtg. 5s at 95¼. Its 3% bonds sell at that price today. Look at Louisville and Nashville 5s, a legal rail at 95. Its 3¾% bonds today yield 1½% less. Imagine too, the first mortgage bond on a good operating utility like Ohio Public Service, to yield 6.20%. No wonder so many university men wanted to sell bonds in those days. They had, by today's standards, pretty attractive stuff to offer.

However, we must accelerate this odyssey of the individual bond buyer. In the late twenties he had moved part way toward stocks, and in the early thirties either he was flat, or some of his bonds started to sell that way. With a deluge of defaults flooding our financial landscape — industrial, rail, real estate and holding company—bonds lost their earlier place in the investment program of individuals; and due to the studied and artificial depression of the interest rates in the thirties, the only really eager individual bond purchase was in convertibles, or subscription to various government issues for the ride.

Came World War II, and though interest rates were still held in artificial check, our citizens, inspired by both patriotism and thrift, (and because many normal outlets for expenditures on goods were restricted) bought in great volume, the various issues of savings bonds. A few million new bondholders, and virgin security buyers, were thus recorded in our financial annals. But postwar this time, no lush interest rates emerged. The Federal debt was too big to permit interest rates to approach their natural level in a free or uncontrolled market. A little slippage there was, but no major interest policy change till 1953 and a new Federal administration. Which brings us right smack up to date.

For the first time in almost two decades, an interest rate on long-term governments as high as 3¼% has been offered; and the direct comparision of thirty years ago, which we started out with, is especially interesting. On May 4, 1923, U. S. Treasury 4¼% bonds due in 1952 (19 years) sold at 99; today the same maturity (19 years) 2½s of 1972 sell at 92½ to yield 3%.

Further conclusive evidence that we have now definitely entered into a higher interest era, is found in some profusion. The Commodity Credit Corp. has moved its rates on crop loans from 3½% to 4%; the renowned Allied Chemical and Dye Corp. had to offer 3.56% yield on its debentures; and prime commercial loan rates are up this week from 3% to 3¼%. The new U. S. 3¼s are around par; and 3¼% is now par for the course!

But my province is not to make like an economist, and to project an interest curve line from here to the next Democratic Administration. No, I want to pick up the individual buyer where we lift him, and see if he's likely to be substantially brought back into the bond market again. It would be surely healthy if governments were more widely and heavily held by individuals. The improved current rates may help bring that about. As for corporate liens, the rates have to be at least 1½% above savings bank interest to attract the individual. Assuming generally a current savings bank rate of 2½%, a 4% yield on prime corporates is requisite. Well, no top flight utilities or industrials yield that now. Choicest long-term utilities range from 3.25 to 3.60% and equivalent industrials, no higher. So we can't truthfully say we've set the stage, yield wise, for the individual to start snapping at the A's and AA's. He'll still have to own those indirectly via insurance policies and savings bank books.

However, for the slightly more daring person and the one willing to let down the quality bars, just a bit, there are some good yields kicking around, especially in the rails. For those interested in browsing in such pastures, I've prepared a list on Table II below.

Starting with Sylvania Electric 4s, we move along down to a railway income. There's quite a choice but I do think some of the values are interesting.

New Haven 4s of 2007, at around 69, yield 5.70% (to maturity) and have a lien on all property of the road subject to only $20.8 million of divisional priorities. For 1952, interest was earned after Federal taxes 2.70 times. New Haven has been improving rapidly since emergence from reorganization in 1947 and has, in the interim lopped off $40 million in debt. It seems to me New Haven 4s are better than their quotation might suggest; and getting better all the time. A $300,000 annual sinking fund applies to this issue.

West Shore 4s of 2361 solve your reinvestment problem for a few years to come, and enjoy the benefit of a clean cut divisional 1st mortgage on 440 miles of alternate route, of the New York Central from New York to Buffalo. It's not the most heavily trafficked section of New York Central but it has strategic importance and during World War II carried a really big tonnage. These bonds on a current yield of 6% and a heavy discount price are not unworthy, especially in light of the improving management now quite visible in Central's operation.

Alleghany Corp 5s, while not yielding quite as much as some of the others, are well protected by portfolio assets of some $60,000,000; and interest payments do not seem in jeopardy.

Time here has not permitted me to dilate upon the fact that over one-half of all corporation bonds now underwritten, never come within the ken of individuals, since they are snapped up by private institutional placement. A word, too, should be said about those whose brackets suggest entry into bonds via the municipal route. For example, if you're in the $10,000 type bracket, a 3% municipal equals a 5.18% taxable yield; and moving into the $30,000 taxable group, the same municipal is worth over 9% on a taxable. Well, the Dow-Jones municipal average is now at 2.70%, and for revenue bonds the average is 2.95%. For the yield-hungry, there are Fairbanks, Alaska revenues, California Bridge, and the brand new Maine Turnpike bonds on a 4% basis.

While there is no basis for now asserting that individuals will veer to bonds, what with many good common stocks yielding 6% and over, it is correct to observe that the highest interest returns in a generation, and the traditionally superior defensive qualities of bonds, are beckoning investors—a little at least.

TABLE I

Random Selections From Bond Underwritings First Half of 1923

	Rate	Due	Price	Yield
Louisv. & Nashv. 1st & Ref.	5%	4-1-2003	95	5.23%
Bell Tel. of Pa. 1st & Ref.	5	1-1-48	98½	5.10
Illinois Bell Tel. 1st	5	6-1-56	95¼	5.30
Ohio Public Serv. 1st	6	3-1-53	97¼	6.20
Illinois Pwr & Lgt 1st & Ref.	6	4-1-53	98½	6.10
Youngstown Sheet & Tube Deb.	6	7-1-43	99	6.05
Pure Oil Co. 1st	6½	6-1-33	99	6.60
Armour & Co(Del.) 1st	5½	1-1-43	96	5.85
Anaconda Copper 1st Consol.	6	2-1-53	96½	6.25

TABLE II

Higher Yielding Bonds

	Rate	Maturity	Price	Yield
Sylvania Elec. Deb.	4%	1978	100½	3.99%
Jacksonville Gas 1st	4	1969	100	4.00
Tennessee Gas Trans.	4⅛	1973	101¾	4.00
Chicago, Milw. & St. Paul	4	1994	97	4.10
Penn RR. Gen.	4¼	1981	95	4.52
Alleghany Deb.	5	1962	96½	5.40
Central of Ga. 1st	4	1995	75	5.60
N. Y., N. H. & Hart. 1st & Ref.	4	2007	69	5.70
Phila. Trans Corp. Ref.	3¾	1970	78	5.75
Morris and Essex 1st	3½	2000	61½	5.94
West Shore RR. 1st	4	2361	65	*6.10
Chicago & N. W. Income	4½	1999	59	*7.62

* Current yields

No Reversal of Bullish Trend in Stock Market

By ARTHUR J. NEUMARK

Partner, H. Hentz & Co., Members, New York Stock Exchange

Stock market analyst, holding recent sell-off in the stock market is not disturbing, lists as factors supporting return to bullish trend: (1) replacement of armament spending by outlays for public works; (2) rising trend of money rates; and (3) vast amount of capital expenditures during last seven years. Sees recent price declines as having discounted prospects of reduced business earnings.

A sharp sell-off in the market, such as has been witnessed in recent weeks, carries with it positive benefits, even though it is necessarily disturbing at the time. For one thing, of course, it increases the number of attractive investment opportunities available, thus attracting new buyers, particularly professional buyers. The latter may continue to hold back, awaiting still more attractive levels, but they now constitute a support factor which was not nearly so significant earlier in the year.

Arthur J. Neumark

More important perhaps than the mere fact of price change, is that a market reversal forces investors to reconsider their overall position. No one can tell with assurance just when a major change in trend is in process. The careful, far-sighted investor is always conscious of the fact that an intermediate move could prove, in the end, to constitute a new long-term trend.

Are we in fact faced with a reversal of trend? Is the long bull market of 1949-1953 now ended? Should common stock investments be converted into cash or fixed value securities? As generally in the past, the answer to these questions will largely be found in the course of business.

The liquidation in the stock market of the last several weeks is attributable principally to concern over new Russian policy. In the minds of many people the seemingly more favorable outlook for peace in Korea has raised the question of the possible impact on our economy of much improved international relations resulting from the seeming change in Kremlin policy. Opinions predicated on assumptions of what Russia may or may not do are necessarily hazardous; but regardless of the sincerity behind these new moves, we find it difficult to believe that our government would be so lulled into a sense of false security as to materially cutback on the preparedness program. From all indications, our policy is likely to be one of hoping for the best, but taking nothing for granted.

Appropriations already made by the Congress would seem to insure preparedness expenditures for the balance of this year around the projected level. Reductions will be made only where they conform to the expressed intent of the Administration to cutback only where possible in the interests of efficiency and economy. Should real progress be made this year with respect to areas of basic international differences, it is quite likely that there will be readjustments in the spending program for next year on a stretch-out basis.

Although the preparedness program has been a stimulant to business in recent years, there is a tendency to overlook the relative importance of this spending to the overall economy. Gross national product today is around $350 billion and personal consumption expenditures are running at about $220 billion per annum. The direct and indirect amount of spending for preparedness and foreign grants probably ranges somewhere between 15% and 20% of the nation's business. The stimulating impact of this spending has been considerable in certain segments of the economy; but it has, at the same time, been a contributory factor to shortages and bottlenecks and, of course, has been largely responsible for the present record level of taxes.

From the longer range standpoint, reductions in armament spending should be regarded as favorable rather than detrimental to the economy. Federal and State expenditures for highways, schools, hospitals and public works generally have been seriously curtailed, and the slack resulting from reduced military expenditures would partly be offset by increased spending for such peacetime needs. Furthermore, such reduction in government spending as may occur, whatever the reason, would have the beneficial result of bringing about an end to the Excess Profits Tax this year plus some reduction in individual income taxes.

Another important factor to be considered at this time is the rising trend of money rates and the effect that this may have on business. Government and corporate bonds have declined to a point where yields are markedly higher than a year ago, but the spread between the yields of high grade bonds and leading common stocks is still substantially in favor of equities. In past periods, a drop in the spread between the yields of high grade bonds and equities to less than 1% often proved the forerunner of a broad decline in the stock market. This occurred in 1936 and again in early 1946. This spread has been declining since 1949, but it is still well over

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Observations . . .

By A. WILFRED MAY

The Horse and the Cart on the Spend-Tax Merry-Go-Round

"Long-continued taxes that are only a little below the confiscatory level will destroy free government."
. . . . *Candidate Eisenhower in Home-coming speech at Abilene, Kansas, May 4, 1952.*

"For the first four months and 19 days of this year, every penny earned by the average American went—not into his pocket or to pay his living expenses, or into his savings account. It went—every cent of it—to pay his taxes, Federal, state, and local."
. . . . *Candidate Eisenhower at Columbia, S. C., September 30, 1952.*

* * *

The Eisenhower Administration's present adamantine insistence on postponing tax reduction and revision until after budget balancing, constitutes policy running counter to the political exigencies as well as to plain common sense.

A. Wilfred May

Granted that the great majority of our populace and our policy-makers favor reduction of both spending and taxes, the crucial question is where the priority lies. Which is the cart and which the horse, on that never-ending Hopkins-Roosevelt-Truman spend-tax merry-go-round?

The answer to this specific question seems simple. In the home the family's budget logically is set to fit its income. To have its annual spending figure determined by some vague idea of thrift, or desires, or even by "needs," would be recognized as completely irresponsible and out of order. This truism is even more valid in the case of the government. To expect the Congress under our democratic techniques of political pandering, subsidies to capture the votes of all kinds of pressure groups, and log-rolling; to assume the initiative in radically pruning the government's spending in the absence of the duress arising from withholding of the required *do-re-mi*, is wholly unrealistic.

And an initial tax cut of a mere \$1½-2 billion out of a \$70 billion budget, as has been suggested by Congressman Reed, certainly does not impose starvation on "the national family."

Misplaced Emphasis Regarding Revision, Too

In the matter of tax revision also, does the Eisenhower-Taft-Truman policy of sufferance for the needed revenue seem indefensible. The vicious evil of the so-called and misnamed Excess Profits Tax is generally recognized by all authorities, as impossible to administer efficiently or equitably, a penalizer of small and growing businesses, a killer of incentive for expansion, a stimulant of corporate extravagance and inflation, and the like. Even Fair-Deal Secretary of the Treasury Snyder, although emphasizing the revenue needs arising from defense charges, and predicting that it would be two years before government receipts would catch up with outlays, nevertheless (at the American Bankers Association convention last October) termed EPT technique an abuse and urged its early extinction.

At the very least, the Republicans' present emphasis is all wrong in continuing the Truman foisting of the burden of proof of a "show me" of substituted revenue before this tax is wiped off. Instead, in line with correct pre-Inaugural thinking, the economic viciousness of this indefensible technique should be acknowledged *per se*, and it should be knocked off without any prior demand for a *quid pro quo* or shifting of the burden of proof on to those advocating its repeal. The extinction of this acknowledgedly disastrous form of taxation is the must; hanging on to the revenue is mere carry-over of the criticized Democratic Administration's attitude.

And in preferring a continuation of this form of tax to unpopular extension of excise taxes or an increase in the flat corporate rate, the new Administration is playing politics as did the former troupe. It is conforming to the cynical motto for the basis of tax policy as *plucking the goose so as to produce the largest amount of feathers with the least amount of squealing.*

Now or Never!

The reluctance to reduce tax rates runs counter to the proven economic and fiscal facts of life. In the light of actual past experience we should realize that a readjustment downward of high tax rates leads to increased productivity, an enlarged tax base and a higher national income. As Congressman Reed has pointed out, this was the economic result both in the 1920s when tax rates were reduced four times and again following the tax reductions in 1945 and 1948.

The stimulating effect of tax reduction on productivity and revenue, as practically demonstrated in recent Canadian experience, is recognized currently in England and Germany, which have courageously grasped the bull by the horns. In his new budget, Britain's Chancellor Butler, in the face of plans to spend even more on defense, has cut taxes all-around, confident in the result of encouragement of investment and a rise in production.

Here—if we do not take the leap toward elimination of tax confiscation and strangulation now, it is hard to see how we ever will!

Phila. Nat'l Bank 150th Anniversary

PHILADELPHIA, Pa.—Representatives of 43 of this city's oldest organizations—a number of them the first of their kind in the United States and all 150 years old or older — were guests of The Philadelphia National Bank at its anniversary dinner April 29, 1953 at The Historical Society of Pennsylvania. The bank, oldest and largest in Philadelphia, is celebrating the 150th anniversary of its founding this year.

Frederic A. Potts

The gathering all told represented some 7,000 years of Philadelphia experience in business, finance, insurance, education, medicine and the arts. Lineal descendants of the founders of a number of organizations were present.

Frederic A. Potts, President of the bank, in a short address said: "Gentlemen, the institutions we represent have seen much of changing times and have outlived generation after generation of men. For all that, we must not consider ourselves old, but rather in full vigor as we actively pursue our useful endeavors. It is my hope, in fact, that 150 years from now all our organizations may answer another roll call and testify once more that 'the things that truly last when men and times have passed are still in Philadelphia'."

Guest groups included the oldest business house in America — Perot Malting Company; the oldest American investment house —Biddle, Whelen & Co.; the two oldest mutual fire insurance companies in America — the Hand-in-Hand and the Green Tree; and the first two stock fire insurance companies in the United States—the Insurance Company of North America and the Insurance Company of the State of Pennsylvania.

Seven of the organizations that Benjamin Franklin founded or had a hand in launching were represented. These included the Library Company of Philadelphia described by Franklin as "The Mother of all North American subscription libraries"; Franklin Printing Company; University of Pennsylvania; American Philosophical Society; the Philadelphia Contributionship for the Insurance of Houses from Loss by Fire; Pennsylvania Hospital; and the "Saturday Evening Post."

Former Chief Justice Owen J. Roberts, present in his capacity as President of the American Philosophical Society, acted as toastmaster.

Other guest organizations present included: Friends' Select School; The William Penn Charter School; J. E. Rhoads & Sons; Presbyterian Ministers' Fund; The Carpenters' Company; Philadelphia General Hospital; State in Schuylkill: The Assemblies; Germantown Academy; First Troop Philadelphia City Cavalry; Job T. Pugh, Inc.; Kirk & Nice; W. H. & F. Jordan, Jr., Mfg. Co.; William Barnett & Sons, Inc.; Rawle & Henderson; The Mutual Assurance Co. for Insuring Houses from Loss by Fire; The Episcopal Academy; Lea & Febiger; College of Physicians of Philadelphia; The Pennsylvania Prison Society; Joseph Oat & Sons, Inc.; Nathan Trotter & Co.; T. S. Johnson Sons Co.; J. B. Lippincott Co.; Elder & Jenks Inc.; Warner Co.; Jacoby Marble Co.; J. Gibson McIlvain Co.; Miller & Baer; Wm. E. Hooper & Sons Co.; Philadelphia Bar Association; and R. D. Wood Co.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

On the industrial front total output the past week moved slightly upward and held moderately above the level of a year ago and about 3% under the all-time high registered in the final quarter of 1943.

Employment, a barometer of activity, revealed that the nation's labor force was at the highest point yet recorded at this season of the year. Continued claims for unemployment insurance also helped to confirm this fact by dipping to the lowest level so far this year.

During April industrial business held the gains of previous months, and registered slight increases in new orders and production, according to a monthly survey of the National Association of Purchasing Agents. Russian peace overtures did not cause any change in the already cautious buying policies of purchasing executives, the survey pointed out. Present momentum was expected to carry business through the next two months at a high rate. Prices are moving in a sideways pattern, with a small upward trend for industrial materials, it observed. Sellers of fabricated items, however, are encountering a buyer's market.

Production cutbacks hit the appliance industry and some basic metals, it was reported this week. Two big manufacturers placed curbs on refrigerator and freezer output. Nash-Kelvinator Corp. cut assemblies of Kelvinator and Leonard refrigerators and laid off 400 workers at its Grand Rapids plant. In Cincinnati, the Crosley Division of Avco Manufacturing Corp. announced it has made "some reductions in refrigerator and freezer output because of slow market conditions."

It was further reported, United States Smelting is reducing its work week from six days to five days at Utah lead and zinc mines and at the Midvale, Utah, reduction plant. Prices for these metals, the company said, are now unprofitable for most U. S. producers. American Zinc closed one mine in Tennessee and declared additional shutdowns will be considered if the decline in lead and zinc prices continues.

At least five steel companies have raised prices within the past week, and half a dozen more are expected to act within the next few days, states "The Iron Age," national metalworking weekly, this week. Expected steel price rises, though slow to materialize, are now gaining momentum and several more are definitely in the wind.

Most price increases so far posted are in extra charges (for special processing to meet consumer specifications). But at least one producer has raised base prices on railroad steel items, this trade magazine asserts.

Price increases by several other producers are expected this week. At least three firms have already made decisions to increase. They are now working out details and will announce higher prices as soon as this work has been completed, adds this trade journal.

The steel price outlook is for a series of increases affecting most producers and several products over the next several weeks. It is doubtful that the price situation will be fully clarified before the question of the seventh wage round has been settled. That may not happen before the end of June, continues this trade authority.

Automotive conversion continues strong and it is now booked into third quarter, though some of this business carries cancellation clauses with penalties of \$25 to \$35 per ton.

The scrap market continues in the doldrums with sharp declines of the past few weeks continuing in most areas. This week "The Iron Age" steel scrap composite price fell \$1.67 a ton to \$39.33 per gross ton. This price composite has fallen \$4.92 per gross ton

Continued on page 37

Drug Industry Prospects

By RICHARD G. WOODBRIDGE, III*
Investment Department, New York Life Insurance Co.

Insurance investment analyst reviews progress and prospects of the American drug industry and concludes "the future of the drug industry is going to be a good one." Bases conclusion on rapidly expanding horizons of drug developments and advancement in medical and drug technology and research. Stresses value of patents in progress of drug concerns.

My talk will be concerned with two things: (1) The future of the drug industry as a whole, and a few words about the companies that make up the drug industry; and, (2) An approach to the problem, faced by all financial analysts, of evaluating the research, development and technology of industrial enterprises.

R. G. Woodbridge, III

The future of the drug industry is going to be a good one, without any question—and here are the reasons:

(1) It fills a physical human need.

(2) Because of the highly technical nature of its products and services it of necessity requires a high quality and high caliber personnel.

(3) More and more its products and services are being sold on their physical and chemical merits —not on appeal to vacillating human emotional preferences.

(4) The basic sciences on which the drug business rests—the chemistry and physics of the physical human body—have, today, expanding horizons. If you will pardon me—with regards to the sciences of the human body—we have done little more than scratch the surface.

Let's look at some of the evidence, for these statements:

In order to have expanding horizons there must be unexplored territory beyond the present horizon. Is there in medicine? What about the physics and chemistry of the nervous and mental processes. Virtually nothing is known in this field. Think of the thousands of hospital beds and rooms devoted to the care of schizophrenics. Drive out past Byberry some day. Some day some smart boy is going to "crack" this field, or maybe it will take hundreds of scientists each adding a little bit of knowledge to open it. But when it is opened up there will be new drugs and medicines, today undreamed of, as products for what we call the drug industry.

And again there is the field of proteins—those building blocks of animal tissue. Only today are we beginning to get a fairly good idea of their shape and structure. We cannot even make them today—tomorrow we will. We do know a little about the component parts of proteins — the amino acids. Synthetic amino-acids are a new and growing part of the organic chemical industry. As an example—think of du Pont's multimillion dollar plant in Texas to make synthetic methionine. Where do they fit into the drug industry? Mixtures of amino-acids today are available in capsule form and are being prescribed by physicians. Are synthetic proteins in the future? I think so.

What about viruses and virus diseases? We hardly know what a virus is today. The antibiotic drugs we now have are almost without effect on virus diseases. Who will get a true cold cure?

What about the antibiotics? Are they perfect? There is certainly a tremendous need for product improvement and new products in that field.

What about the old standbys, drugs like morphine? It was only a few short months ago that we discovered the chemical structure, the architecture, of morphine! We have little idea of the mechanism by which it deadens pain. Morphine—wonder drug that it is—has terrible side effects. There are chemists right this minute working on drugs better than morphine. Exploring unknown territory. What will they find? When will it be found? Who can say? But when it is found it will be a new and wonderful product for the drug industry.

Let me mention a few more "things to come" — the use of enzymes—those, as yet mysterious, catalysts without which life itself would be impossible. As these become better understood and more available, they will find an ever-growing use as agents in man's everlasting fight against death and for increased physical well-being. The use of hormones, those beautifully complex products of our many glands, will continue to increase as our fundamental knowledge increases.

To put it very crudely—as long as people die and are in poor health there will be a demand for drugs and medicines.

*From a paper by Dr. Woodbridge read at the Sixth Annual Convention of the National Federation of Financial Analysts Societies, Philadelphia, Pa., April 13, 1953.

Past History of Drug Industry

That the drug industry can sell its products, distribute them and manufacture them profitably is obvious from an examination of their past history. That it has the ability to change and grow and pioneer is also apparent from its past record. That it can survive adverse business conditions and economic depressions is testified to by its existence today.

I think that the future of the drug industry is a good one.

But let's leave the generalities and consider specific companies.

When we say the "drug industry" we think of 10-15 different companies. Among these I want to consider the following: Lederle Laboratories-American Cyanamid; Merck; Sharp & Dohme; Abbott; Lilly; Hoffmann-La Roche; Upjohn; Parke, Davis; Ciba; Squibb; Pfizer; Smith, Kline and French; G. D. Searle; Schering.

And of the so-called proprietary drug companies: Sterling Drug; American Home Products; and Bristol Myers.

There are several others. Their exclusion from this list has no significance at all. I just had to close the list some place and thought that the above companies would be of greatest interest.

Now everything I'm going to say about these companies is from published sources. There is nothing that I'm going to say that is "confidential information" or has been given to me in confidence.

Alliances Between the "Chemicals" and the "Drugs"

First notice the alliances between the "chemicals" and "drugs": Lederle-American Cyanamid; Sharpe and Dohme-Merck; Hoffmann-La Roche (Nutley, N. J.) and its vitamin and medicinal specialties producing Swiss parent, Ciba, and its dye-producing Swiss parent and U. S. affiliate, the Cincinnati Chemical Works; Squibb-Mathieson, and Pfizer with its drug business an outgrowth of its fine chemical business (which still continues). I think that the alliance of a drug company with a strong chemical company is a plus factor. I think it greatly strengthens a drug company, particularly one that has not been strong in the chemical and scientific fundamentals of its business. For example, in just one factor, there is certainly no unaffiliated drug house with the research potential of the Lederle Laboratories-American Cyanamid combination. In the future I would expect some more mergers and affiliations.

Second notice that two of these companies are Swiss owned—Hoffman-La Roche and Ciba. It should be mentioned that although both these companies are Swiss owned almost all of the material they sell in the United States is produced in this country. These two companies, I predict, will be among the technical leaders in their fields for the foreseeable future—for the very simple reason that they can do high quality research at a cost far below their American competitors by doing their research abroad. That they are doing some of their research abroad—where salaries of technical men and other research costs are far below those in the United States—may be seen by an examination of the following 1951 figures for American patents issued to those two companies broken down on the basis of the country of-residence of the company's inventors.

Company—	No. of Inventors —Resident in— U. S.	Switzerland
Ciba	3	14
Hoffman-La Roche	31	9

That Dr. Paul Karrer, the Nobel prize winner in 1937, is an inventor for Hoffman-La Roche and Dr. Tadeus Reichstein, one of the leaders in the chemistry of the steroid hormones, is one of the Ciba Pharmaceutical Products Co. patentees, speaks for the quality of the research of these two companies.

It should be noticed, thirdly, that classical financial statistics on five of these companies are extremely difficult (if not impossible) to come by. Statistics of Lederle Laboratory are consolidated with the rest of American Cyanamid; Lilly and Upjohn are closely held; Ciba Pharmaceutical Products and Hoffman-LaRoche are Swiss owned. If the Squibb figures get lost in Mathieson, it is going to mean that financial statistical figures will not be available for 20-40 of the companies in this industry group—which is going to make it even more difficult to analyze statistically those companies whose figures are public.

Under such circumstances there are two things we as financial analysts can do, and I think we are going to be forced to do both. The first is to reconsider our characterization of this group of companies as drug companies and think of them as drug-chemical companies. The second is to supplement whatever financial-statistical information we can get a hold of with other information.

Patent Records

I want to call your attention to certain published information, which is in the public domain, which is in no sense confidential, which anyone can use, and to which, really much to my surprise as a chemist, financial analysts have paid virtually no attention—and that is the patent records of industrial companies. I have found that patent studies are of very great value as an aid in evaluating and appraising a company's research and development, in determining a company's future new products, and in getting a general idea of how well a company is handling the basic technology of its business. In a very real sense, the patents that are assigned to a company during a year may be looked upon as a sort of partial annual report of a company's research and development operations.

The determination of the patents assigned to a company each year is something which every financial analyst should and very easily can do. Each year the Patent Office issues for sale an index to the patents issued by the U. S. Patent Office. This is extensively cross indexed. Under the name of the company are listed the names of the inventors who, during the year, have assigned patents to that company. Then, by looking under the inventor's name can be found the title, patent number, etc., of each inventor's patents. I believe a count of the number of patents, i.e., a "patent count," is of much greater value than a guess on the adequacy of a company's research and development based on such considerations as the dollar figures spent on research or the research expenses as % of sales because it is virtually impossible to determine the bookkeeping behind such figures.

As an example, I have worked up some patent statistics on the companies making up the drug industry for the five-year period 1947 through 1951, and some statistics for the major chemical companies for the five-year period 1944 through 1948. These latter figures are admittedly not as current as the figures of the drug companies, but I feel they will be of interest to you.

For the five-year period 1947-1951, the arithmetic average figures for the drug companies are as follows:

Company—	Avg. No. of Patents per Year	Patents per Million $ of Sales
1. Lederle Laboratories-Amer. Cyanamid*	161.0	0.85
2. Merck	53.4	0.62
3. Hoffman-La Roche	33.2	---
4. Parke, Davis	29.2	0.32
5. Sterling Drug	21.2	0.15
6. Upjohn	18.4	---
7. Ciba Pharma. Prods.	16.2	---
8. Amer. Home Prods.	15.4	0.10
9. Eli Lilly	15.4	---
10. Abbott Laboratories	11.8	0.17
11. G. D. Searle	10.4	0.75
12. E. R. Squibb	10.0	0.12
13. Sharp & Dohme	6.7	0.17
14. Schering Corp.	5.6	0.41
15. Bristol-Myers	4.2	0.085
16. Pfizer	3.6	0.061
17. Smith, Kline & French	3.6	0.094

*Figures for 1944-1948, inclusive.

From the point of view of brute, technical strength, I would rank the companies approximately as above. From the point of view of future technological growth I would rate the companies for which sufficient information is available approximately in the order of the Patents per Million Dollars of Sales. The first five being:

Lederle Laboratories-Amer. Cyanamid	0.85
G. D. Searle	0.75
Merck-Sharp and Dohme	0.48
Schering Corp.	0.41
Parke, Davis	0.32

It is interesting to note the low figures for the patents per million dollars of sales for the so-called proprietary drug companies.

An interesting figure, which you may want to take home with you, for what it is worth, is that the 13 drug companies, for which the information is available, have had one patent for every $3⅓ million of sales.

For the period covered, these figures do, I think, give an idea of technological strength. They should not be considered alone but should be supplemented by all other available information—particularly studies of the scientific papers published by the employees of the company concerned. Some data as to number of research employees, laboratory facilities, scientific library facilities can be obtained from "Industrial Research Laboratories of the United States" published by the National Research Council.

There is obviously no substitute for direct and personal contact with a company's research and development personnel — but in order to talk with them intelligently, and particularly in order to analyze, evaluate and appraise, the financial analyst must first

have the readily available facts and figures.

In conclusion:

(1) The future of the drug industry is going to be a good one because the fundamental basis of its operations—the chemistry and physics of life itself — has, today, rapidly expanding horizons. Its business problems are problems which have often in the past been solved by competent executives and administrators.

(2) An approach, which I have found very valuable to understanding and analyzing a company's basic technology, its research and development, is that of patent analysis. A patent study is something which can be done, to various degrees, by any competent financial analyst. It is, as you can well imagine, an important tool of the technological business man. I commend it to your attention.

Two With First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Harold J. Caldwell and Clifford H. Lewis have become connected with First California Company, 300 Montgomery Street.

Webber-Simpson Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Samuel B. Bass and John Karras have become affiliated with Webber-Simpson & Co., 208 South La Salle Street, members of the Midwest Stock Exchange.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Area Resources—Booklet Dept. K, Utah Power & Light Co., P. O. Box 899, Salt Lake City 10, Utah.

Bank and Insurance Stocks—Tabulation—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Brewing Industry—Survey—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Common Stock for Investors—Bulletin—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Common Stock Ownership Survey—Bulletin—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Dollar Averaging—As a method of building a portfolio—in current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are discussions of **Equipment Industries** and **Metal Fabricating Industry**, and an analysis of **Air Reduction Company.**

Ethical Drug Industry—Analytical brochure—Smith, Barney & Co. 14 Wall Street, New York 5, N. Y. Also in the brochure are brief individual analyses of **Abbott Laboratories, Merck & Co., Inc., Chas. Pfizer & Co., Inc., Parke, Davis & Company, Schering Corporation, G. D. Searle & Co., Sharp & Dohme, Inc.** and **Smith, Kline & French Laboratories.**

Excess Profits Taxes — List of probably beneficiaries from elimination of tax—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Machine Tool Industry—Analysis—Bond, Richman & Co., 37 Wall Street, New York 5, N. Y.

New York Bank Earnings—Tabulation of preliminary figures for first quarter — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Comparison and analysis as of March 31, 1953 of 17 New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

The Pipe Lines — Analysis — Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada.

Rights—Bulletin—Earl M. Scanlan & Co., Colorado National Bank Building, Denver 2, Colo.

* * *

Aetna Insurance Company—Bulletin—J. R. Williston, Bruce & Co., 530 West Sixth Street, Los Angeles 14, Calif. Also available are bulletins on **General Reinsurance Corporation** and **Westchester Fire Insurance Company.**

American Telephone & Telegraph Company—1952 Annual Report — American Telephone & Telegraph Company, 195 Broadway, New York 7, N. Y.

Arcturus Electronics, Inc.—Analysis—C. D. Robbins & Co., 744 Broad Street, Newark 2, N. J.

Arkansas-Missouri Power Co.—Analysis—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Bausch & Lomb Optical Company—Analysis—Ferris & Co., First National Bank Building, Dallas 1, Tex.

Bayly Manufacturing Co.—Memorandum—Peters, Writer & Christensen, Inc., 734 Seventeenth Street, Denver 2, Colo.

Bell Telephone Co. of Canada—Memorandum—Greenshields & Co., 507 Place d'Armes, Montreal, Canada.

Berkshire Fine Spinning Associates, Inc.—Analysis—Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Bloch Brothers Tobacco Co.—Memorandum—Fulton, Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

Central Illinois Electric and Gas Company — Analysis — The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available are analyses of **Iowa Electric Light and Power Company, Iowa Southern Utilities Company, Irving Trust Company, Pabst Brewing Company, Safway Steel Products, Inc.,** and **Wisconsin Power and Light Company,** and a memorandum on **Central Maine Power.**

Central Maine Power Co. — Analysis — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Crane Company—Bulletin—Bregman, Cummings & Co., 100 Broadway, New York 5, N. Y.

Dominion Magnesium Ltd.—Memorandum—Gairdner & Company, Limited, 320 Bay Street, Toronto, Canada.

Famous Players Canadian Corporation Limited—Analysis—L. S. Jackson & Company, Ltd., 132 St. James Street, West, Montreal, Que., Canada.

General Electric Company—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available are analyses of **Chesapeake & Ohio Railway, Chicago Great Western Railway, Minneapolis & St. Louis Railway,** and **Norfolk & Western Railway,** and a list of **Common Stocks for Appreciation.**

International Cellucotton Products Company—Special Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Libby, McNeill & Libby — Analysis — Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Minneapolis Honeywell Regulator Company—Analysis—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **Sprague Electric Co.**

Mississippi Valley Barge Line—Memorandum—Barnes, Bodell & Goodwin, 257 Church Street, New Haven 10, Conn.

Mississippi Valley Gas Company—Analysis—John C. Legg & Company, 22 Light Street, Baltimore 2, Md.

National Steel Corporation—1952 Annual Report—National Steel Corporation, Grant Building, Pittsburgh 19, Pa.

Okalta Oils Limited—Memorandum—G. E. Leslie & Co., Royal Bank Building, Montreal, Canada.

Pacific Gas and Electric Company—1952 Annual Report—K. C. Christensen, Treasurer, Pacific Gas and Electric Company, 245 Market Street, San Francisco 6, Calif.

Royal Dutch Petroleum Co.—Memorandum—B. G. Phillips & Co., 44 Wall Street, New York 5, N. Y. Also available is a memorandum on **Shell Transport & Trading Co.**

Safeway Stores, Inc.—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Shell Oil Co.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Springfield Fire and Marine Insurance Company—Analysis—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Thompson Products, Inc. — Analysis — Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a booklet on "London Wool Tops Futures Market."

Zellers Ltd.—Memorandum—Collier, Norris & Quinlan, Aldred Building, Montreal, Canada.

Our Reporter's Report

Those who have spent their business lives in the task of raising corporate capital regard conditions as they are now developing as the first real test of competitive bidding.

It is one thing, they argue, to compete for a corporate bond issue in an "uptrend" or in a stabilized market where you know prices won't go against you, as under the money manipulations of the New Deal-Fair Deal.

But it is something new for the great majority of current "top hands" in the industry to have to pit their skill and judgment against a "downstick" or a disturbed secondary market where the future is uncertain and the market must reflect the collective thinking of all manner of investors.

Even the present-day government traders, that is the majority of them, are finding things changed. Now they have to trade with a degree of risk that is always present in an "unpegged" market.

For years it had been a case of "carry" with the approximate "bottom" of the market pretty well fixed by the operations of the Federal Reserve open market commitee.

What has happened in recent months in the government market, with the new 3¼s dropping through "par" this week, as banks raised their lending rates for prime commercial paper to 3¼%, is symptomatic of current conditions. This new issue had been bid to a premium of better than ½ point soon after its appearance.

Detroit Edison

The current offering of $40,000,000 Detroit Edison Co. bonds affords a graphic record of what has taken place in the money and investment markets since the Federal Reserve turned loose the Treasury market in 1951.

The Detroit utility received a top bid of 101.339 for the bonds as 3⅞s and the successful banking group proceeded with reoffering at a price of 102.425 for an indicated yield of 3.75%.

In 1950 the company sold a similar issue, 35-year bonds, carrying a 2¾% rate and priced to the public at 102¼ to yield 2.65%.

Riding It Out

Once the mark-up in commercial loan rates was announced early in the week, several syndicates which had been carrying new bond issues over a period, decided to cut those undertakings loose.

With the dissolution of the sponsoring groups, bonds falling into that category backed off sharply from their fixed offering prices, some as much as three to five points.

However, much of the weakness appeared to be a reflection of absence of nearby bids, rather than any wholesale unloading of the bonds involved. Some of the stronger banking houses, it was indicated, were not selling, but rather were disposed to put such holdings into "loan" and await an improved market.

Rediscount Rate

All eyes will be focused on the Federal Reserve Bank late this afternoon, when directors hold their regular weekly meeting.

It has been some time since the rediscount rate has been a topic of general conversation. But it certainly came in for more discussion this week than had been the case in quite a while.

It was reasoned that the spread between the central bank's 2% rate and the new 3¼% rate for prime paper is becoming too wide to endure for long.

But, it was observed, a mark-up in the Reserve rate would merely be recognizing changes that already have taken place in the money market.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of April 23, 1953 is as follows:

Team—	Points
Hunter (Capt.), Klein, Weissman, Murphy, Searight	42
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	41½
Bean (Capt.), Frankel, Strauss, Nieman, Bass, Krassowich	38½
Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid	36
Goodman (Capt.), Smith, Valentine, Meyers, Farrell, Brown	33
Growney (Capt.), Craig, Fredericks, Bies, McGovern	31
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold	30½
Krisam (Capt.), Ghegan, Jacobs, Gannon, Cohen	30
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack, Gavin	30
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seijas	28
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	26½
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinhard, Corby	23

200 Point Club

Hoy Meyer 218

5 Point Club

Duke Hunter
Hoy Meyer

Comstock & Co. Formed By Renier in Chicago

CHICAGO, Ill.—Announcement is made of the formation of Comstock & Co., a sole proprietorship, by Edward P. Renier, with offices at 208 South La Salle Street. Mr. Renier was formerly in the trading department of H. M. Byllesby and Company, Incorporated and prior thereto was was with Rodman & Linn and Shields & Company. He was a partner in the former firm of Comstock & Co.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

BENICIA, Calif. — Archie H. Lyons is now with King Merritt & Company, Inc.

Joins Hutton Staff

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—George Copp, Jr. is now affiliated with E. F. Hutton & Company, 219 East Broadway.

A. W. Morris Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Julian F. Fleg has become affiliated with A. W. Morris & Co., 9680 Santa Monica Boulevard, members of the New York and Los Angeles Stock Exchanges. Mr. Fleg was previously with Daniel Reeves & Co. and Shields & Company.

With Frank Knowlton & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif—Jennings O. Stendal, Jr. has become connected with Frank Knowlton & Co., 465 California Street. He was formerly with Hannaford & Talbot and in the past with the Portland office of Conrad, Bruce & Co.

F. I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — George R. Courter has joined the staff of Francis I. du Pont & Co., 317 Montgomery Street.

Joins Managed Inv.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John H. Dain is now with Managed Investment Programs, 41 Sutter Street.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Kenneth A. Pasqualetti is now connected with Mutual Fund Associates, 127 Montgomery Street.

With Homer I. Hess

(Special to THE FINANCIAL CHRONICLE)

WOOSTER, Ohio—Clarence M. Crum is now connected with Homer I. Hess, 212 Kurtz Street.

The Turn in the Inflationary Tide

By DOUGLAS H. BELLEMORE*

Investment Economist, American Institute of Finance, Inc.
Chairman, Department of Economics and Finance,
Boston University

Asserting active element running through optimistic business and stock market forecasts is hope, Dr. Bellemore contends if real income of the people, measured in honest dollars and after taxes is taken into consideration, they must revise the trend of the last eight years. Says there is a vastly abnormal condition of business, and new Administration is faced with an abnormal situation. Sees at present time a shortage of money and relative abundance of goods, and concludes curbing excessive credit is painful but necessary.

Just a year ago I had the pleasure of talking on the subject "Will Wage Increases Now Be Inflationary."[1] The last 12 months have been most interesting in this regard.

D. H. Bellemore

If we may judge from the tenor of most Wall Street and business opinion today as it is revealed in recent forecasts, the future is bright indeed. Conceding that the psychological element of "confidence" is not to be belittled in appraising the outlook for either business or the stock market, what is the basis for most of these forecasts? The active element running through them all is hope.

No one, as someone recently remarked, likes to kick a boom in the teeth, and most everybody wants to see prosperity continue and even increase. A note of caution, chiefly with respect to when armament spending may begin to taper off and whether the prospects for major war with Russia increase or subside, is an anchor to windward in these forecasts, but otherwise they are virtually unanimous in their optimism. Peaceful overtures from Russia in recent weeks have resulted in testing this anchor.

Are these forecasts really as searching as they sound? After reading a great many of them, the thought emerges that they consist of a combination of projections of past trends and the hope, dressed up as "confidence," that those trends will continue and that profits will be higher because taxes will be lower. Of course sales volume is not going to decline!

Triumph of Hope Over Experience

Lord Beaconsfield once described a second marriage as the triumph of hope over experience. The burgeoning optimism in Wall Street after the election, though we are obviously late and high and not early and low in the long boom since 1940, suggested that Beaconsfield's concept of the triumph of hope over experience might well be applied to much current thinking.

If the new Administration is to navigate the ship of state successfully over the next four years, it is going to require a different sort of confidence than the pollyanna thinking now going the rounds. Perhaps the greatest disservice that businessmen and investors can perform is to encourage the hope that the election of last November has somehow wiped away all the sins of commission and omission of the last 20 years and prepared the way for a new era in which the relatively narrow interests of business and the investment community will be solicitously served.

Solid Confidence Flows From Dedication to Hard Tasks

To foster the idea that there is some magic in our new leadership, as was done after the election of Hoover in 1928, is no contribution to the long run welfare of the country, the capitalistic system, the Republican party or the investment community. How much better it would be, and how much more solid confidence in the new Administration would be, if all those who supported Eisenhower on November 4th were preparing themselves mentally for the sort of dedication to hard tasks bespoken by Winston Churchill in his ringing phrase of "blood, sweat and tears." Only with such dedication can the vision of a sound and virile economy be achieved.

When the chips are down, Eisenhower is going to need a different sort of confidence and support than that confidence, thinly disguised as hope, which pictures the new Administration as achieving both peace and victory without pain; both balanced budgets and lower taxes; both continuing boom and an end to inflation; both a sound dollar and continued easy money. Gradually some of these concepts are being realized.

It is easy to be against inflation in principle; it is easy to be against "Communist aggression" in principle; but it is going to take a confidence born not of hope but of courage and moral integrity to take steps against these two threats to our way of life. And they must be liquidated before that new era which some have called the "American Century" can become a reality instead of a dream. After all there are more important things on Eisenhower's mind today than underwriting perpetuation of a bull market conditioned to inflationary spending as a permanent way of life for America.

The Size of the Job

If we would comprehend the size of the task the new Administration faces, we should ponder carefully what Mr. Benjamin Fairless said in an address shortly after the election—

"Now we are told, of course, that the reckless policies of our Washington spenders have produced a high degree of prosperity among our people, but that is not as true as is usually believed.

"If we look at the facts—**if we examine the actual purchasing power of all our people, after taxes — and if we measure that purchasing power in terms of honest, 100-cent, prewar dollars—we find that the real per-capita income of the people of America has not increased since 1944.** In fact, it has declined by about 2% since that date.

"So the truth is that the past eight years have been years of complete economic stagnation for the average American, even though our government expenditures during this period have reached levels that have never been equalled anywhere on this earth in all the recorded experience of man.

"And there I think we find a danger signal which all of us should ponder mightily in the months ahead. No individual, no family, and no business can spend itself into security, and neither can any nation; for in the last analysis, our national progress is nothing more nor less than the sum total of our individual accomplishments."

If Eisenhower is to be successful, the real income of the average American, measured in honest dollars and after taxes, must reverse the static trend of the last eight years. That is the size of Eisenhower's and the nation's job. As we said previously, the twin evils of world Communist pressure and inflation will have to be licked if he and the country are to reach the goal.

A Vastly Abnormal Condition in Business

The new Administration is faced with a vastly abnormal condition and impermanence of the abnormal is one of the first rules of life. American industry, which has nearly doubled its capacity since 1939, is today operating at or close to that capacity. The restored productive power of Germany, Japan and Great Britain must be added to that. Output is being absorbed domestically only because we are expending on our capital plant something like $25 billion a year spurred on by rearmament and because our citizens are not only spending all of their incomes but as a group are increasing their debts at an annual rate of $30 billion a year. While rearmament is directly accounting for only 15% of total production, since the summer of 1950 it has provided the psychological basis for the continued expansion of capital goods and private debt.

Yet in spite of this forced draft armament boom and a doubling in private debt since 1945 we find that world and domestic commodity prices have been coming down steadily since early 1951. Wholesale commodity prices would not be declining unless the supply of goods being turned out by our factories and farms right now was greater than even present abnormal demand. The new Administration already is facing into a most serious agricultural problem as Secretary Benson has discovered.

Inflation in Reverse

The essence of inflation is a shortage of goods and an abundance of money. The supply of money since 1946 has been relatively static—averaging around $115 billion in currency and bank deposits and now $121 billion.

But since 1946, with money supply relatively static, the other basic elements of the economy—population, employment, production, prices and productive capacity—have been rising steadily. The one economic measure that perhaps best reflects this over-all growth is Gross National Product, the dollar measurement of the country's total output of goods and services.

Our economy today is grinding out $340 billion of goods and services as against some $200 billion in early 1946. Thus the ratio between money supply and the output of goods and services is now 35% as against 53% in 1946. Further, this 35% ratio compares with 38% in 1941, 36% in 1940, 35% in 1939 and 35% even as far back as 1937. Thus money in relation to goods is back to the prewar normal of the 1930's. Clearly our productive capacity, even with 16% of that capacity devoted to a colossal armament program, has been built right up to the level of our money supply. We have thus arrived at a new condition where there is a shortage of money and a relative abundance of goods—just the reverse of inflation. The February Federal Reserve Bulletin presents statistics and a chart which clearly indicate the return to our prewar economic environment of abundance. We are traditionally a land of abundance rather than scarcity and inflation only feeds on an environment of scarcity.

Money and Debt—How Will They Be Managed?

Perhaps nothing should be more important in today's investment calculations than the way the new Administration is going to manage money and the debt—public and private. From the outbreak of World War II until March, 1951, the traditional function of the Federal Reserve—to make money easy to borrow in times of bad business and hard to get in periods of boom—was for reasons of expediency entirely abandoned. It became an adjunct of the U. S. Treasury, dedicated almost solely to making possible the sale of huge amounts of U. S. Treasury securities at relatively low interest rates during the war. The Reserve stood ready to buy all government securities at par or better—making all government issues, regardless of maturity just about synonymous with cash.

After the war, Truman and his Secretary of the Treasury Snyder, preoccupied with their problem of managing this huge war-created debt and keeping the interest cost on that debt at a minimum, insisted on the Federal Reserve System continuing the wartime policy of monetizing the government debt even though that policy made it impossible for the Federal Reserve authorities to do anything about curbing the supply of money and credit and therefore inflation.

In early 1951 under the leadership of William McChesney Martin, the Reserve Board engineered what was widely regarded as a rebellion against this policy of monetizing government debt and refused any longer to support all government bonds at the arbitrary level of par. The Fed insisted on using its judgment as to the amount of government bonds it might buy or sell in order to maintain an orderly market.

At the same time this was only a partial declaration of independence for in actual practice from late 1951 through 1952 the Federal Reserve continued to function as an "engine of inflation" through its open market operations and through its maintenance of an artificially low rediscount rate.

The Rise in Private Debts

From the end of the war in 1945 until the end of 1952 private debt rose from $140.8 billion to roughly $300 billion, and this expansion of debt has continued right up to the present moment. This expansion of debt has made possible the tremendous development of business and at the same time has resulted in a very considerable increase in the cost of doing business.

A rise in net corporate indebtedness from $85.3 billion at the end of 1945 to $155.8 billion at the end of 1951 represented an increase of over 80%. It accounted for $73.5 billion or a little over half of the $136.4 billion increase in all private indebtedness in that same period. Approximately one-third of the increase in corporate debt represented an increase in long-term debt and two-thirds represented an increase in short-term debt.

In the 1946-1952 period, capital expenditures were in the neighborhood of $150 billion. These capital expenditures were first stimulated by the pent-up consumer demand. Later they were continued as a result of the 1950-1953 rearmament program. The rearmament program created an environment of optimism in which both producers and consumers could cheerfully and hopefully go more deeply into debt in order to acquire durable goods — factories —machines—houses, automobiles, and electrical appliances, not excepting TV sets.

While at first blush corporations appear to be in a stronger financial position than they were seven or eight years ago—appearances may be deceiving. It is true that the net working capital of concerns has been increasing rather consistently. However, the quality of their current assets has been deteriorating. Cash and governments represent only slightly more than one-quarter of current assets against over two-fifths of current assets at the end of World War II. This is because inventories now represent nearly three-quarters of current assets of corporations against only slightly more than one-half at the end of the war.

We are told that corporate debt is not too high because corporate assets have been increased proportionately. We are told that while inventories may be at all time high there is no danger because they are not high as a percentage of sales. Is this not circular reasoning? If all this is true we have discovered perpetual motion. No businessman has gotten into inventory trouble **until** his sales declined. His inventory which appeared to be a reasonable percentage of sales turns out to be the leaden weight around his neck.

What about personal debt as opposed to corporate debt? Individual and other non-corporate debt has risen from somewhere in the neighborhood of $50 billion at the end of the war to something in the neighborhood of $135 billion today. At this rate it will soon have tripled in less than a decade. The rise in this debt has financed the purchase of homes, automobiles and other consumer durable goods. By adding $25 to $30 billion a year of private debt we have increased our Gross National Product annually, and of course its various components, including personal income. We are told that individual debts are not too high because they do not represent too high a percentage of national income which they made possible—again perpetual motion in a rising spiral.

We are told that mortgage debt is not too high because today the mortgages are insured and include amortization provisions. A mortgage of $14,000 on a house that sold new in 1933 for $7,000 and now is valued at $15,000 to $16,000 is not too high! The prices of houses have only risen because of easy credit which made it easy to purchase houses and therefore increased the demand for houses. As the demand increased the prices increased, the mortgages granted to the new purchasers increased but all were well protected. Again we have the theory of perpetual motion. Why did we not learn all of these lessons earlier?

Burgess in Key Spot on Debt and Money Management

We do not presume to predict how our monetary affairs are going to be handled under the new Administration, but we do know who the key money managers are going to be. Martin stays on as Chairman of the Federal Reserve Board. Secretary of the Treasury Snyder has been replaced by George Humphrey, a sound money man. Above all we know the record of W. Randolph Burgess, the former Chairman of the Executive Committee of the National City Bank, who is his assistant with specific responsibility for debt maangement and money policy. Of him it has been recently said, "few men in this country understand the problems of monetary policy and debt management as thoroughly as he does and none has better recognized the need of an independent Reserve System."

Among other things Mr. Burgess

*An address by Dr. Bellemore before the Essex County Savings Bank Forum, Boston, Mass., April 21, 1953.

1 Commercial and Financial Chronicle April 17, 1952.

at the National City Bank had responsibility for the final editing of the National City Bank Letter. In the December issue, presumably written well before his appointment to his new office in the Eisenhower Administration, a most comprehensive examination of what we must presume to be Mr. Burgess' concept of sound management was undertaken.

Pointing out that inflation was not alone a threat to individual but also to national security, and that it was necessary to be against inflation in more than principle, three practical measures for doing something about inflation were advanced: (1) balancing the Federal budget—which was described as the paramount necessity; (2) public debt management—the inflationary character of the existing debt can be neutralized by inauguration of a funding program into longer maturities; (3) a Federal Reserve policy to curb credit expansion.

Curbing Excessive Credit Painful But Necessary

Such high caliber men in the new Administration as Mr. Burgess will do their own talking. The chances are that they will show a preference for letting their deeds speak for themselves. It appears to us on the basis of the policies and principles with which they have associated themselves in the past that they are determined to halt inflation. Their efforts will certainly need sympathetic understanding and support from the investment and business community.

There is too much credit outstanding. Curbing of credit expansion and the overextended debt position of many individuals and corporations at this stage may be painful but it can lay the basis in the long run for a sounder and more stable economy and a healthy capital market in which, with lower taxes, business can work and function with maximum incentive and therefore maximum effectiveness.

Bateman Director

Frank B. Bateman has been elected a Director of Jupiter Oils Limited of Toronto, Canada. A well known New York investment banker, Mr. Bateman is Vice-Chairman of Blair, Rollins & Co., Incorporated. He is also a Director of The Empire State Building Corporation, Anken Chemical & Film Corporation and of the British Empire Oil Co., Ltd.

Frank B. Bateman

Joins Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Ward W. Wilson has joined the staff of Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York and Midwest Stock Exchanges.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo. — Harry Bruton has joined the staff of King Merritt & Co., Inc., Woodruff Building.

With Westheimer & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Ralph A. Bollenbacher has become connected with Westheimer and Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Role of Instalment Credit in the Economy

By ARTHUR O. DIETZ*

President, C. I. T. Financial Corporation

Finance company executive stresses role of instalment credit in expanding consumer demand, and thus affording a basis for lower-cost mass production and distribution, as well as for higher living standards. Holds consumer credit can be "too high" only to the extent that it includes debt which should never have been incurred, and contends instalment credit industry has done a good job of self-regulation since lifting of credit restrictions.

Instalment credit—mass financing — is the fundamental support of the American system of mass production and mass distribution. However, the fulfillment of the needs of the public, which is made possible through instalment buying, is not the full measure of the benefit of mass financing. If markets were restricted only to customers who could pay cash for goods, the economies of mass production would largely disappear. Prices for automobiles, refrigerators, gas ranges, and the like, would be out of reach of most American families.

A. O. Dietz

We all know that instalment buying has made our American standard of living the envy of the world. But we do not fully realize how much it contributes to the nation's total employment. Mass financing makes customers of people who do not have the full cash price to buy the articles they want and need. Mass financing, therefore, helps to create and assure jobs for those who provide these articles, whether they produce the raw materials, whether they work in the factories which process them, or take part in their wholesale and retail distribution. Thus, mass financing makes jobs, as well as articles for use by the whole community.

All economists recognize the vital role which instalment credit plays in our economy, although there are a few who question the effect of the present level of consumer debt on our economy. They would apparently seek to curtail instalment buying, without realizing the extent to which this would jeopardize the present level of employment and the production of those durable goods which are customarily sold on the instalment method.

The economists have a term, "Disposable Personal Income," which means the money consumers have left after paying their taxes. Total consumer credit outstanding as a per cent of personal disposable income during the prewar years varied between 9.8% in 1939 and 10.6% in January, 1941. In January of this year, total consumer credit outstanding was $23.9 billion. This is about 10% of disposable personal income, and the contention seems to be that this represents a danger point.

I frankly do not understand why a level of consumer debt comparable to the 1941 percentage should create any economic dangers to the economy. If it could be shown, and of course it cannot, that in January, 1941, our economy was in jeopardy because this "magic" percentage reached a level somewhat above 10% there might be some point to the contention that trouble looms ahead because we are approaching that level today. But all we know is that in January, 1941, the consumer debt amounted to 10.6% of disposable income and that the ratio of consumer debt to disposable income is now somewhat below that figure. With nothing more than these facts to support the argument that the level of consumer credit is now too high, we cannot reasonably be expected to agree that the economy is jeopardized.

On the other hand, we can point to marked differences between the economy of 1953 and the economy of the years immediately preceding World War II. More people today have greater purchasing power than at any time in the past. During the last 15 years, there has been a great change in the distribution of income in the United States. In terms of 1951 dollars, the middle income group —those American families earning between $3,000 and $7,500 per year — has doubled in size. In 1951, this income group made up 47% of the population, compared with only 23% in 1935.

Also significant, savings of consumers are much higher today than they were before the war. Federal Reserve Board figures show that Americans were saving at the rate of $20,500,000,000 a year at the end of 1952, more than 8½% of disposable income. But in 1939 savings were only $2,700,000,000 a year and as late as 1949, only $6,700,000,000.

These facts prove that the economic atmosphere in which we live today is quite different from the years preceding World War II. Certainly they would indicate that any measuring stick for that period, even assuming that it had validity then, can hardly be used as a criterion in our present economy.

In my opinin, consumer debt can be "too high" only to the extent that it includes debt which should never have been incurred in the first place. And we in C. I. T., with more than 40 years' experience in administering instalment credit, firmly believe that the vast majority of American consumers are capable of budgeting their instalment purchases on a sound basis. We are also convinced that those who have extended the credit have done so on terms which will insure the repayment of the debt presently owed by consumers, without harm to the economy. Year after year, in our experience, the instalment buyer has purchased and paid for automobiles and other durables with relatively few defaults—and this was true even in the depth of the depression of the early Thirties.

On the whole, the instalment credit industry has done a very good job of self-regulation since the lifting of government credit restrictions in May of last year. There have been instances where some finance companies and some banks have been willing to grant excessively long terms of repayment and to accept inadequate down payments. Where these loose practices are engaged in, the result is certain to be bad.

At this point I can tell you that we could have put a great deal more business on the books during the first quarter of this year had we been willing to relax our policy of insisting on proper down payments and terms of repayment. Those who are comparatively new to our field will have to learn that it is not only bad business for the extender of credit but it is also a disservice to the consumer and to the economy to approve credits which are not justified.

The importance of sound consumer credit terms was a consistent theme at last month's meeting of the American Bankers Association in Chicago, and it is my belief that the banks will heed the advice of their own leaders.

The majority of economists as well as many government officials agree that the volume of instalment credit is not excessive. There are numerous examples of this opinion.

For instance, the Department of Commerce's "Survey of Current Business" for April, 1953, in an analysis of consumer debt, points up its conclusion that "Credit is not unduly high."

Recently, Federal Reserve and Treasury officials told the Senate Banking Committee, in substantially identical testimony, that instalment credit is not excessive, and that the rapid expansion of instalment buying since the lifting of Regulation W in May, 1952 will be self-regulating through the operation of normal business practices.

I concur in these views, and further believe, as I have already said, that the American consumer is his own best credit manager. I have confidence in his integrity and common sense.

*A statement of Mr. Dietz made at the Annual Meeting of Stockholders of the C. I. T. Corporation, New York City, April 28, 1953.

A. V. Stout, Jr., Director

A. Varick Stout, Jr., Senior partner of the investment firm of Dominick & Dominick, was elected a Director of National Distillers Products Corporation at a regular meeting of the board April 23. Mr. Stout is a Vice-President and Director of National Shares Corporation and a Director of the Dominick Corporation of Canada.

A. Varick Stout, Jr.

With Saunders Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Milan P. Greguric is with Saunders, Stiver & Co. Terminal Tower Building, members of the Midwest Stock Exchange.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Julia M. Cherry has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 8 East Broad Street.

Credit and the Problem of A Sound Exchange Medium

By WALTER E. SPAHR*
Professor of Economics, New York University
Executive Vice-President, Economists' National Committee on Monetary Policy

Dr. Spahr reviews role of credit as part of purchasing media and explains nature of a sound medium of exchange. Points out as among major defects in our currency system: (1) its inherent dishonesty; (2) its tendency to depreciate in value; (3) its effect in causing loss of people's control of public purse and in destroying a valuable property right; (4) its detrimental effect on savings; (5) its discrimination in favor of foreign central banks and governments; and (6) its hampering of foreign trade and international monetary exchange operations. Concludes restoration of redeemable currency is major corrective.

I
Credit the Major Part of Our Purchasing Media

Since our media of exchange constitute the bloodstream of our economy, it is of course important that the money and credit corpuscles be healthy, not diseased. By far the greater portion of our currency bloodstream is composed of credit, of which, of course, consumer credit is a part.

Walter E. Spahr

The best single measure of the use of our purchasing media during, say, the period of a year, is debits to total deposit accounts — represented chiefly by checks and drafts drawn against demand deposits and withdrawals from time deposits. For the year 1952, these debits in 342 reporting centers amounted to $1,692,136,000,000—almost five times the estimated gross national product of $346,300,000,000 for that year.

Large as are the annual figures on bank debits, they do not include all the purchasing media employed in this nation within a year. On the other side of the picture, they contain various transfer transactions which do not involve purchases of goods and services. Defective as bank debits are as a measure of the purchasing done in this nation during a month or year, they are the best single measure at our disposal.

Bank debits contain two basic elements: the volume of bank deposits employed, and the number of times these deposits are turned over during a year—often called the velocity of deposit currency. The rate of turnover for total deposits in 1952 is given as 28.7 for New York City and 14.4 for the other 341 reporting centers. We have no data on the turnover of mettalic and paper money; and the part played by consumer credit in bank debits or in total expenditures during a year cannot be determined with any precision. Total consumer credit, as reported today, involves installment credit and noninstallment credit both of which are, in turn, broken down into other categories. There is no possible way in which one may trace these various categories to determine their relative importance as a part of our purchasing media as reflected in bank debits. One may, of course, compare the amount of consumer credit outstanding, as reported, with the volume of bank deposits and of paper and metallic money in circulation; but when one attempts to draw inferences from those ratios as to the relative importance of consumer credit or of some other segment of credit in the total stream of purchasing media employed in this nation, great caution indeed is required.

The basic consideration is that both the money and credit corpuscles of our currency bloodstream be sound. And that raises the question of what is meant by sound media of exchange.

II
Nature of Sound Media of Exchange

One of the basic functions of a good currency — that is, money, bank deposits, and other forms of credit serving as media of exchange—is to facilitate the exchange of goods and services. The metallic money is good if it is composed of a metal of universal acceptability, such as gold. Silver has an acceptability ranking second to gold. Paper money and bank deposits are good if redeemable in the standard gold unit. Other forms of credit are good if automatically self-liquidating when the credit matures.

In principle, all goods and services constitute a demand for all other goods and services; but, if the exchanges were restricted to direct barter, with its handicaps, the total of exchanges would be sharply reduced below what is made possible by the use of a good currency. Self-liquidating credit can effect the bulk of desired exchanges. Money in the form of the ultimate settler of balances—chiefly gold—can accomplish the exchange of the remainder.

It is not the proper function of a government to create money for itself—no more so than it is for an individual to create money for himself by the act of counterfeiting legal and properly-issued money.

A government is expected to obtain currency for its functions by taxation or by borrowing from its own or other people. This involves a transfer by the people of some of their currency to the government, not a creation of new currency against the existing supply of goods and services. Such money as a government may create should be for others in response to the presentation of gold and silver—real wealth—for conversion into coin at standard rates or into certificates issued against, and redeemable in, such coin.

As people expand their activities in fabrication and exchange, they may wish to utilize credit as a convenient means of facilitating their activities. Credit extended for these purposes is sound if the transactions which give rise to it provide the wealth with which to liquidate it when the debt matures, and if the credit, in the form of bank deposits or paper money, can be converted at any time into real wealth in the form of gold or silver. Thus, productive activity and goods and services can expand with the use of self-liquidating credit up to the limit made possible by the gold and silver reserves of the Treasury and banking structure. With the proper organization of the banking system, involving the concentration of gold and silver reserves at the point where their potency is greatest, and the employment of a well-organized clearing and collection system for credit instruments, a nation's typical supply of gold and silver can support a relatively large volume of credit and, consequently, of productive and exchange activities. This is illustrated by the huge volume of credit instruments cleared each business day by our clearing houses and the inter-district clearing and settlement fund at the disposal of the Federal Reserve System.

When self-liquidating credit is utilized in this manner, it has the effect of making nearly all goods and services easily exchangeable. This accomplishment is one of the basic functions of a good currency—a good money and good credit. But if, now, a government, to meet its expenses, resorts to an expansion of paper money and deposits, instead of using its proper powers of taxation and borrowing from the savings of the people as a means of transferring some of the people's money to itself, an undesirable state of affairs arises. The new currency created by the government, either by the direct printing of paper (fiat) money or by converting its debt instruments into deposits or Federal Reserve notes by the sale of its securities to the commercial and Federal Reserve banks, bears no proper relation to the production and exchange of wealth. The credit does not arise out of actual or anticipated productive and exchange activities which will liquidate it automatically when it matures. Instead, it simply reflects actual or anticipated expenditures by the government in excess of receipts derived by a transfer of currency by the people to their government in response to its taxation and borrowing of savings.

With the currency it has created in this manner, there is a new demand for goods and services arising from a source other than the production of goods and services. Prices are diverted from what would otherwise be their proper barter relationships. They tend to rise. Proper economic relationships are disturbed by this outside force. The purchasing power of the people's currency tends to decline. The value of the savings of the people is impaired. With such power in its hands, a government can command the wealth of a people. It can easily become their master. Its power to manufacture such purchasing power is unlimited as is, consequently, its power to ruin a people.

In contrast, a people cannot be injured, they can only be benefited, by the use of a sound money —metallic currency and redeemable paper money—and self-liquidating, redeemable, credit. The test of the goodness of any kind of credit is whether it is automatically self-liquidating when it matures. The extent of failure to repay at maturity measures the over-extension of credit and the consequent loss to someone. That is the measure of the evil involved in an overextension of credit.

The ability of a government to meet its obligations at maturity may arise from the quality of shiftability in its obligations. Therefore the test of the soundness of the government's purchasing power is whether it obtained its funds by taxation or borrowing from savers or whether it manufactured for itself, as does the counterfeiter, new purchasing power against the existing supply of goods and services.

In so far as consumer credit is involved in the creation and use of purchasing power, it is proposed to pass over that question and proceed to the larger issues involving major defects in our

Continued on page 39

*An address by Dr. Spahr before the Pennsylvania Educators Symposium on Consumer Credit, Philadelphia, Pa., April 17, 1953.

Taxes

By ROGER W. BABSON

Mr. Babson, though admitting there are many reasons for not reducing taxes until Federal budget is balanced, cites cases where present taxes, along with reduced purchasing power of the dollar, reduce individual and corporate net income below prewar level. Points out taxes have been increasing production costs and are added to prices.

I can give many economic reasons why taxes should not be cut until the Federal budget is balanced; but here is why taxes should be cut if possible. In 1940, an average married couple with no children and a net income of $5,000 on their Federal income tax return (after real estate taxes, charities, interest, etc.) had over $4,800 left for themselves.

Roger W. Babson

Today, after taxes, a similar couple with a $5,000 net income has only $4,150 left. This perhaps wouldn't be so bad were it not for the fact that their $4,150 buys them only $2,160 worth of goods.

Higher Taxes and Higher Prices

New Deal tax policies, to be sure, seemingly did much to improve the dollar status of many workers. But executives earning over $10,000 were really mowed down. Take the $20,000-a-year man as an example. In 1939-40 he had nearly $18,500 left after taxes. In 1953 he has left only about $14,500. You say you wouldn't mind having even the $14,500! That may be true; but see how the $20,000-a-year man's standard of living has been lowered. Today his $14,500 net buys him only about $7,500 worth of 1939-40 goods!

This same principle applies to corporations. Business has been good for the last dozen years. It was made good by war. With war came the all-out effort to produce weapons. There were few civilian goods, so workers had little to buy. Dollars piled up. When a big supply of dollars started chasing a little supply of goods, trouble began. Prices automatically went up. With increased prices came demands for increased wages to meet the increased prices. And this resulted in increased taxes, As wages and taxes rose higher, employers added wage and tax costs on to production costs. This kind of spiraling has gone on spiraling until prices today are nearly twice as high as they were in 1939-40.

The Need For a 100¢ Dollar

Were this sort of thing allowed to continue, our nation could end up in bankruptcy. One of the best examples of postwar inflation is little Greece. In 1940 about 150 drachmas were equal to one of our dollars; today the official rate is 15,000 to the dollar. How would you like a life insurance policy or a pension plan in Greece today? It could happen here, too!

That $3,000-a-year retirement policy you were building in 1940, and on which you were planning to retire in 1960, will buy little more than $1,500 of rent and food and clothes today. Congress made its big mistake after the war when there was a shortage of goods and pent-up buying power. Right then and there the government should have pared its spending to the bone. Instead, we continued to spend, and in so doing built up further demand for civilian goods. Hence, things got badly out of control.

The Budget Should Be Balanced

Truman's 1953-54 budget called for a $79-billion expenditure. That's $10 billion more than the government will take in, even at the present high tax rate. To balance the budget, $10 billion will have to be lopped off somewhere. This could very well come by reducing government pay rolls, tightening up a loosely run Veterans' Administration, and stopping the pointless moving of military personnel from one side of the globe to another, then right back again!

Readers, however, must remember that any public economy program means firing a lot of people and perhaps starting the unemployment cycle. Congressmen may resist such economies. They don't like to see their constituents lose their jobs in either government or industry. Therefore, my present guess is that high taxes will continue. If so, we can meet them only by producing more, working harder, and being more sympathetic with our employers who are suffering from DOUBLE taxation.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of Harold C. Mayer, Jr. of Salim L. Lewis of Bear, Stearns & Co. will be considered by the Exchange May 7.

David Rosenberg retires from partnership in Cohen, Simonson & Co. April 30.

John Kalb and Eva E. Merrill will withdraw from partnership in Kalb, Voorhis & Co. as of April 30.

Our Tax Mess

By MARY G. ROEBLING*
President and Chairman of the Board,
Trenton Trust Company, New Jersey

Banking leader decries Duplication of tax collection between State and Federal Governments, and through job bureaucracy. Cites multiplicity of hidden taxes exemplified by 151 taxes in a loaf of bread. Points to sugar-coating for the wage-earner via so-called "corporation tax," which she maintains is "phony" and really a levy on the consumer.

I should like to discuss a subject with which all of you are familiar. Probably painfully so. It is taxes. It is a far cry from the tax gatherers of ancient times who climbed into sycamore trees, to some of the Congresses of the United States, whose tax-making committees likewise seem to have been up a tree.

Mary G. Roebling

No tax procedure is popular. Adam Smith, the great Scottish political economist of the eighteenth century, on the subject of a good tax said:

"In addition to being levied in proportion of ability to pay, the tax must be certain and not arbitrary in amount, that it must be paid in the manner most convenient to the people, and it must be inexpensive to collect."

Then on the other hand an earlier French Minister of Finance in greater brevity, but nonetheless understandable language viewed tax gathering in this manner:

"So pluck the goose as to produce the largest amount of feathers with the least amount of squeaking."

Over the last 20 years millions of words have been printed about taxes in newspapers, magazines and the "Congressional Record." Voice hours unnumbered have argued for or against the various plans to simplify our taxes. There has been arrayed on both sides the best brains the United States could muster at Washington. Some of our Senators and Representatives of today like some of our Senators and Representatives of yesterday are doubly conscious of the fact that a nation of more than 150 million people are still asking a fair question: "How can taxes be levied equitably and collected inexpensively?"

The American people are willing to pay their fair share of the cost of government. I am not a tax expert, but I am positive that there is vast room for improvement both in the form of taxes and the cost of collecting.

Bankrupting Methods

If business followed some of the past methods of government, business would soon be bankrupt. Business could not survive if it premitted two or more persons to do a job which actually required only one person. But, that is exactly what government has been doing in the collection of taxes.

Some may coyly contend that duplication of jobs is helpful to our general economy. That type of thinking is like the man who made $20 a day and claimed that he saved $25 a day. His saving method was unique. Every day on alighting from his bus, he saw a sign warning against littering the street with trash under penalty of $25 fine. So he did not litter the street with trash and hence saved $25 a day.

That the present Administration is keenly aware of the tax problem is reflected by a recent conference in Washington. President Eisenhower met with a committee of the Conference of State Governors. They reviewed the Federal-State relationship regarding duplication of services and functions, and described the present conditions as a "hodge-podge of duplication and waste."

What was most encouraging about this meeting is that it was not a talk session. Rather it served as an actual springboard for action. Just about two weeks ago, President Eisenhower acted. He called upon Congress to create a commission to study the question of the respective roles Federal, State and local governments should play in the financing and administration of social welfare programs.

The President's Views

Mr. Eisenhower pointed out that there are now an inherited 30 programs in which the Federal government makes grants-in-aid to the States.

But, there are other salient features of his views which are appealing:

(1) That the commission should make a complete report in time for consideration by the next Congress.

(2) That the haphazard division of activities that had developed between Federal Government and the States since the birth of the Republic need correction.

(3) That the state activities which the Federal Government had usurped blurred the responsibilities of local government.

(4) That the Federal policy has led to duplication and waste.

(5) That there must be relief from paying taxes on taxes.

Summed up, President Eisenhower is for the return of constitutional rights to the States. This is something which we have long needed. Having State constitutional rights abrogated, in a sense, deprived the States of their vitality and aggressiveness.

Excessive taxation always leads to inflation. That we have inflation today none can deny. It does not make for a healthy condition. In fact, its effects can be debilitating. To solve the dual problem requires both courage and brains. It cannot be treated casually. It demands a firm stand and determination. The issue can not be met as it was several years ago by the philosophy laid down by the principal character in a popular motion picture. He was a candidate for public office. During a press interview, he was asked if he favored inflation. He did not. Did he favor deflation? He did not. Then, what did he favor? His reply was: "I favor flation!"

As an illustration of duplication, I shall use New Jersey as a reference. It is not a condition unique to New Jersey. It prevails in all other states. New Jersey has a state tax on gasoline, alcoholic beverages and estates. Naturally, when a tax is imposed it must be collected. New Jersey created an agency for that purpose. The Federal Government also imposes a tax upon these same sources of income, and it has its own collection bureau.

Government State Duplication

Alfred E. Driscoll on being elected Governor of New Jersey, held that two collection systems, or more properly duplicated systems, was wasteful and expensive. He proposed to the Federal Government that in the interest of economy and efficiency that it abandon its collection system in *all* the states. The states then, he proposed, should collect both taxes, reimburse the Federal Government, less the deduction of a proportionate fee for the service. This practical suggestion, which would have saved millions of dollars was coldly ignored. Probably patronage had something to do with the rejection. Because of this business-like suggestion, you may rest assured Governor Driscoll did not endear himself to Federal employees.

Governor Driscoll now heads a special committee of the Conference of State Governors, charged with conducting a study of plans to eliminate duplication and "double taxation." Soon we may realize the establishment of a sound economical system of tax collection. We are certain of one thing: The Administration is conscious of the present costly method and wants it corrected.

Taxes are necessary, but there are grave doubts about certain types of our taxes. When a tax is out in the open, where it can be studied, it is a tax which is understood. The reason for it becomes obvious and the taxpayer is willing to pay. But, when a tax is hidden, it is vicious; it creates suspicion and a belief that it is not only unnecessary but would not be required if affairs of government were prudently conducted.

Hidden taxes puzzle the average wage earner. He is baffled as to why products and commodities cost so much and why his dollar shrinks. The immediate recourse is to seek an increase in wages and salaries. But, that is not the answer. When wages and salaries rise the money to meet inflated pay envelopes must come from somewhere and that somewhere is always someone—the consumer.

Government facts show that in 1951 we spent $ 81 billion for food and clothing. In the same period, however, we paid Federal, State and local tax collectors almost $85 billion for taxes both direct and hidden.

78 Taxes to a Quart of Milk

In hidden taxes the amount is really hidden and just as secret is "the why" of the taxes. To determine the why should defy a double-domed genius. He would be stumped to fathom the reason for 78 separate taxes in one quart of milk. How can 151 taxes in a loaf of bread be explained? What is the reason for 100 taxes on eggs; 154 taxes on a bar of soap; 201 taxes on a gallon of gasoline; 125 taxes on a woman's dress and 118 taxes on a man's suit? It is absolutely appalling.

Let us take the lowly egg, so to speak. Not to be facetious, but what does a chicken do; what does a chicken eat that would accumulate 100 taxes on the product of her endeavor? That must mean that a dead hen causes great grief among the tax collectors.

Those whose job it is to sugar-coat taxes and assuage the concern of the average wage earner, always thump an old tune on an old drum. The tune is entitled "corporation taxes." That convenient reference is just as phony as a false mustache. The only source of taxes is the people. An inanimate object has never been known to pay taxes. You can pile all the taxes you want on a corporation, but in the end "corporation taxes" will be paid by the people — the consumers of the products.

Strangling Small Business

The pyramiding of taxes, both open and hidden, is slowly but surely strangling small business. Once small business was the backbone of our economy. Now, small business is an anemic thing, because its financial life's blood is subject to constant syphoning. Small business is fighting for survival. The squeeze from which it is suffering causes part of our economic foundation to weaken, because it destroys the creation of new job opportunities.

Business knows one fundamental formula for success. It must produce products of quality as cheaply as possible. Otherwise, business will accumulate a destructive inventory. The same mode of operation applies to the government. It must give quality government as economically as possible. Else in time, government, too, may be out of business.

Taxes will always decrease when there exists a policy of spending less than is taken in; when sagacity ousts wildness; when a judicious program supplants no consideration of costs.

While Adam Smith expressed his philosophy in the late 18th Century, none can argue with his view that:

"The tax must be paid in the manner most convenient to the people and that it must be inexpensive to collect."

*An address by Mrs. Roebling before the Lions Club, Cleveland, Ohio, April 16, 1953.

F. J. Armentrout With Barrett Herrick Co.

Fred J. Armentrout

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Fred J. Armentrout has become associated with Barrett Herrick & Co., Inc. Mr. Armentrout was formerly with Prugh, Combest & Land, Inc.

Joins Draper, Sears Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Stephen J. D'Arcy is now with Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges.

With Tucker, Anthony

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard H. Hutchinson is with Tucker, Anthony & Co., 74 State Street.

White, Weld Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Martin Begien is now affiliated with White, Weld & Co., 111 Devonshire Street.

With Gibbs & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Carl P. Sherr has joined Gibbs & Co., 507 Main Street.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—William E. Wolff, Jr. has become connected with Waddell & Reed Inc., 1012 Baltimore Avenue.

Fair Profits for Investment Bankers

By MERRILL GRISWOLD*
Chairman, Massachusetts Investors Trust

Asserting American capitalism needs the investment banker, investment trust executive warns against trends which would reduce their profit margins. Says investment bankers and dealers have been under constant pressure to reduce profit margins and charges for their services. Points out securities underwriter and investment dealer serve both industry and the investor. Praises investment bankers for aid in large growth of mutual funds.

It is a pleasure to have an opportunity to speak to you on the subject of "Fair Profits For The Investment Banker." This subject has too often been handled on the level of emotion rather than reason or logic. So I will attempt to treat it in economic terms. After all, profits are a matter of practical necessity not only for the investment banker but also for American industry and the investing public.

Merrill Griswold

A survey made for the New York Stock Exchange by the Brookings Institution tells us that there are about six and one half million owners of investments in the United States. But the average investor is very much like the average citizen. He is usually mute and almost invisible because there is very little opporunity for him to make himself heard or seen. As chairman of an investment company participated in by over 100,000 investors, I can, perhaps assume the privilege of speaking up in behalf of the investor.

Now why should anyone other than an investment banker himself take an interest in seeing that investment bankers are properly compensated for their services? He may do so as a matter of simple justice and fair play. But if he happens to have a modicum of knowledge the understanding of history and economics, he should appreciate that fair and reasonable compensation for investment banking is essential to the well-being of this country as a whole.

At the risk of telling you things you already know, I should like to dwell on this particular topic for a few minutes. From an economic viewpoint, the United States today is almost an island in a sea of socialism. With the exception of Canada and a few smaller countries, too much of the rest of the world subscribes at the worst to the doctrine of state supremacy and at the least to state control and management of basic enterprises.

In this country, the individual is still relatively independent of government control because our concepts of political freedom and economic freedom go hand in hand. Private enterprise and political liberty are Siamese twins. If you destroy the one you destroy the other.

"Private enterprise" is only a synonym for "capitalism," a word that has grown rusty from relative disuse and indeed for a couple of decades has been in the doghouse. I like the word "capitalism." It is bare, clean-cut and obvious. It stands up straight and declares its meaning without equivocation. One thing it stands for is the right to earn a fair profit in return for the risk, initiative and work involved in operating any kind of enterprise.

Capitalism Needs Investment Banker

American capitalism needs the investment banker because as the very term implies, our economic system requires the investment of their savings or surplus earnings by individuals and groups of people. Capitalism cannot prosper or even survive without a steady flow of money available for the development of new industries and products and for the expansion of existing business. The stream of capital flowing from the people into commerce and industry not only produces earnings for the investor but also wages for the workingman.

However, as all of you very well realize, investment capital does not gush out of the earth like a fountain nor rush down from the hills like a spring flood. On the contrary, obtaining capital money is much more like digging a well in that it requires both skill and hard work.

The function of the investment banker, either as underwriter or dealer, is to serve industry in obtaining capital for expansion or for new enterprise. He likewise serves the investor by providing opportunities for investment which, allowing for the inevitable risk involved, may lead to growth of principal and the production of income. So essential are these two functions that if there were no investment banking industry, it would be necessary either to invent one or to provide a suitable substitute. And there is no suitable substitute in our economy because no alternative method has the capacity to serve our economic needs so well.

All this is quite obvious to everyone here. How does it jibe with our principal topic of discussion—the matter of fair and reasonable profits for the investment banker. I should like to point out that this is not an academic subject. The investment banking business is exposed to the basic laws of supply and demand. The pressure of these laws sometimes results in a variable profit structure in the marketing of securities. Like any other business, also, investment banking is constantly confronted with increasing costs of operation, resulting at times in losses instead of profits.

Pressures for Narrowing Profit Margins

In this connection and in the presence of this audience, I need only refer briefly to some of the factors which have made for narrower profit margins. In the underwriting end of the business, for example, there is the influence of low rates of interest. Low interest rates are attractive to companies which contemplate financing but, at the same time, they lessen the appeal of fixed interest securities to the individual investor. This development has made the institutional buyer the dominant factor in this field, a buyer whose cost consciousness alone would probably have resulted in narrower spreads. His dominant position, coupled with developments like competitive bidding, private placements and so on have further aggravated the trend to a lower profit margin.

Another aspect of the business, the change from the highly speculative markets of the '20s to the more selective investment markets of today, has had a depressive effect on the business volume of firms whose primary function is transaction of business on the Exchanges. Moreover, today's investor is generally more thoughtful and careful in his investing than his 1920 prototype so that a greater degree of knowledge, training and seasoned judgment on the part of brokerage personnel is required Thus, the change in investing habits has brought in its wake higher service costs as well as lower business volume.

In many respects you gentlemen are merchants—merchants of securities. We all realize that no merchant can afford to sell his wares indefinitely at bargain basement prices. Such a route leads to liquidation and the "going-out-of-business" sign.

Despite this fact, in the investment banking field there has been constant pressure towards a reduction of profit margins and charges for services rendered. I think this is a serious situation. It is serious not only for members of the investment banking fraternity, but for all of us who are interested in the maintenance of the capitalistic system. It is important that we take what steps we can to see that the trend does not continue

Because I am more directly in touch with the current situation in

Continued on page 35

*An address by Mr. Griswold at the New England regional meeting of the Investment Bankers Association, Boston, Mass., April 22, 1953.

No Dangerous Rise in Inventories

By WILLIAM WITHERSPOON
Newhard, Cook & Co., St. Louis, Mo.
Members New York Stock Exchange

Market analyst, commenting on rate of rise in inventories during last quarter of 1952 points out increase is not out of line with larger sales and new orders received by manufacturers. Says cushion of consumer saving is also a factor in additional potential purchasing power.

We live in a world of relatives. Some persons who are plagued with raucous kinfolk would rather that this were not so. But we are speaking of another variety of relatives; it is the relationship of one object, force or factor to another, of which we are speaking. It is such a relationship that permits an automobile traveling at high speed to crash into another without damage to either, if the second automobile is traveling in the same direction as the first but at a slightly slower speed. Hence, relative to one another they were hardly traveling at all.

William Witherspoon

Similar relationships are occurring continuously in the field of economics. One of these situations is in the field of inventories which has been the subject of woeful predictions of late. Inventories increased at an unusually rapid rate during the last quarter of 1952, as indicated by the figures of the Department of Commerce, until they stand now at an all time high level at virtually $75 billion as of Feb. 28, 1953. This, of itself, appears to be serious and, indeed, it could be if overall inventories continue to be augmented at the annual rate of $8.1 billion established in the last quarter of 1952.

However, let us look at sales. If the absolute figures of inventories suggest fear, the relative position of inventories to sales ameliorates this situation and, indeed, sheds the light of encouragement upon the economic scene.

Total business sales during the month of February, 1953, amounted to $49 billion and therefore, relative to this figure as projected upon an annual basis, inventories at the end of that month were at a level which indicated an inventory turnover of 7.9 times per year. This compares with a turnover rate of 7.5 times in February, 1952, and 7.2 times at the end of 1951. The turnover ratio during the postwar years suggests that instead of inventory being unusually high at the present time, it might even be on the low side.

Furthermore, let us look at new orders received by manufacturers. During February of this year they amounted to $25 billion as compared with $23.5 billion during the same month of last year. This most recent figure also established a new high rate and suggests that the sales side of this equation is in a strong upward trend.

Consumer sales are the ultimate in economic demand. Preliminary estimates by the office of the Economic Advisor to the President, set personal comsumption expenditures during the first quarter of 1953, at an annual rate of $226 billion, an all time new high in consumer spending as stimulated by a corresponding new high in Disposable Personal income at an annual rate of $245 billion. This, of course, is the key to the whole inventory situation. If consumer spending continues on the advancing plane as expected by a study of monetary turnover, inventories are not high even though the absolute figure is frighteningly large.

One additional factor is to be noted—it is the cushion of consumer saving. During the past two years this has been running between 7% and 9% of disposable personal income, an unusually high ratio as compared with the more "normal" savings level of about 5%. During the first quarter of 1953, this savings has been estimated at 7.8% which is off slightly from the 8.5% established during the last quarter of 1952, but nevertheless is still at a relatively high figure. If this were to decline to the 5% level, the 2.8 percentage points differential as based upon the current level of disposable personal income would add some $6.9 billion to consumer expenditures without any increase in income and would go a long way in offsetting a cut back in military spending should peace come to the Korean peninsula.

The current economic framework is one of dynamic power and in this framework the "relative" size of economic factors should give us "absolute" certainty that our economy is strong, not weak, and that it will continue to grow for at least several years to come.

Oil and Petrochemicals

By DR. GUSTAV EGLOFF*
Director of Research, Universal Oil Products Company

Dr. Egloff tells of tremendous impact petroleum has had on the American economy. Says most far-reaching effect of use of petroleum fuels has been in field of transportation, but effects have been also significant in agriculture and in petrochemical industries. Foresees even greater impact of oil industry on our economy in future, as producers and refiners are keenly aware of their opportunities to expand.

The petroleum industry is a characteristically American enterprise. Its growth has been highly instrumental in the rise of the United States to the most industrialized of all nations. Investments in petroleum facilities are now $43 billion, which places the industry in third place. The amount of money invested in the natural gas industry is now around $9 billion. Agriculture leads all industries with investments of $170 billion and public utilities are second with $52 billion. Railroads have dropped to fourth place with estimated assets of $36 billion.

Dr. Gustav Egloff

United States wells produce over half the world's oil, and we are the largest users of petroleum products both in total volume and per capita. The 1952 domestic demand for all petroleum products was 2,665,000,000 barrels. Our population Jan. 1, 1953 was 158,500,000 so that the per capita consumption was 707 gallons per year. The industry's methods of finding, producing, transporting, refining, and marketing are highly developed and are being constantly improved by research.

Another highly important segment of the oil industry is the petrochemical industry which, starting only 30 years ago, now represents a total plant investment of $2.5 billion with probable expansion of $400 million in 1953. Over 17 billion pounds of petrochemicals per year are being produced at present and within less than ten years it is anticipated that production will be 64 billion pounds, or 50% of the total chemical production in the United States.

At present nearly 20,000 highly trained research personnel are engaged in developing new processes and products and the industry's annual research budget totals over $130 million. Through the years the oil industry has been marked by rapid expansion. Since 1946, the industry has spent over $20 billion for facilities to satisfy the unprecedented requirements for its products.

It may be asked whether this great expansion and increasing dependence on petroleum-derived products is built on a solid foundation of adequate raw material reserves. Despite periodic gloomy predictions as to its reserve supplies of oil, the known reserves have been maintained in the face of ever increasing demands. Estimates of ultimate world reserves of 1,500 billion barrels and United States reserves of 120 billion barrels have been made, but these are probably far too low. Evidence is being found that petroleum is still being formed in marine sediments and it may be that its rate of formation is higher than consumption.

*A paper presented by Dr. Egloff before the Bond Club of Chicago, Chicago, Ill., April 27, 1953.

Oil and Our Total Energy

The development of our vast oil and gas resources has revolutionized our energy sources within 50 years time. During the period from 1900 to the present when our population has increased from 76 million to over 158 million, our total power requirements have actually quadrupled. The power derived from oil, however, has increased 38 times and that from natural gas 28 times, while that from coal has only doubled. Table I contains data on the power developed from coal, oil, natural gas, and water power in 1900 and 1950 on an absolute and a percentage basis.

The data show that the most pronounced increases have come from oil and natural gas which now account for 54% of the power developed, compared to only 41.3% from coal. The curves of oil and gas usage are still rising steeply. Their increased use has been the result of several factors. Primarily they are more easily handled than coal and hence save labor. They are cleaner and more efficient in furnaces and have underbid coal in price. Another factor favoring oil and gas has been the labor strikes which have frequently plagued the coal industry and rendered supplies unreliable at critical times.

A significant element in this change from coal to liquid fuels is the space heating market. As late as 1935, 80% of residential and commercial heating was done by solid fuels. In that year only 10% of space heating was done with liquid fuels. By 1951 the percentage of heating by solid fuels dropped to 43%, while that done by oil and gas had risen to 54%. The same general advantages in petroleum fuels compared with coal in space heating are evident as were noted in power generation. The petroleum fuels are cleaner, more easily handled and cheaper on a thermal basis. Table II shows the heat (British Thermal units) obtained from different fuels for a dollar expenditure.

TABLE II
Cost Comparison for House Heating

FUEL	BTU Per Dollar
Gas	625,000
Oil	510,000
Coal	470,000

The use of liquefied petroleum gas for cooking purposes is growing rapidly in farm and other areas where city gas is not available. Also it is well to remember that 4 million rural homes in the United States are still lighted by kerosene lamps, and that 68% of our present production of kerosene is used for cooking.

Transportation

The most far-reaching effect of the use of petroleum fuels has been in the field of transportation which has completely altered every aspect of life from international relations to the school boy's Saturday night date. In 1900, 8,000 automobiles were registered, all passenger cars. The first airplane flight was yet to be made. Today the roads are crowded with 44 million passenger cars and 9 million trucks and buses, and registered civil aircraft number 90,000 in the United States to say nothing of warplanes. The effect on our economy of faster travel and transport has been enormous and has been possible mainly because of the large quantities of gasoline, diesel fuel and lubricants which the petroleum industry has made available. The production of gasoline in the United States was 1,190,000,000 barrels in 1952.

The high gasoline demand has been met both by increasing crude oil production and by new processes for increasing the yield of gasoline. In 1910, with 500,000 autos on the highways, total crude oil production was about 210,000,000 barrels compared to over 2 billion at present. At that time, the total gasoline yield was only 12%. Through the use of cracking and related processes the total gasoline yield has been raised to over 45%.

The problem of quantity, however, was only a part of the challenge which the oil industry has had to meet. Mechanical improvements have been made and engine efficiency has been increased by raising compression ratios. When cracked gasoline appeared on the market the compression ratio of automobile engines was around 4.5 to 1 and there was no knocking with any fuel. As compression ratios were increased, knocking was encountered, but fortunately cracked gasoline has better antiknock properties than the natural or straight-run product. The average compression ratio of today's automobile is 7.5 to 1 and the 1953 Buick has a compression ratio of 8.5 to 1, which requires premium fuel of 94 octane. An experimental car has been built with a 12 to 1 compression ratio engine which will need 100 octane fuel.

The oil industry has always been able to meet this increasing demand in quality. First with the development of thermal cracking from which gasoline as high as 80 research octane could be obtained, then through auxiliary processes and catalytic cracking. Polymerization, the first of the auxiliary catalytic processes to be developed, yields gasoline of about 90 research octane from refinery gases and thus also increases gasoline yield per barrel of charge from 2 to 5%. Alkylation, another catalytic process based on refinery gases, made possible the production of 100 octane gasoline. Catalytic cracking which came into wide-scale commercial development only at the beginning of World War II, produces gasolines with 88 to 90 research octane and as high yields as thermal cracking. Even with these processes, refiners would find it difficult to fulfill the demand for high octane fuels if it were not for recent installations of another type of process called catalytic reforming in which low octane gasolines are upgraded to gasolines which upon addition of tetraethyl lead have octane numbers of 95. The commercial development of UOP Platforming, a catalytic reforming process, is an excellent example of the rapidity with which the oil industry moves to meet demands. Announced in March, 1949, this process is now operating in 22 units with a throughput of about 80,000 barrels per day and a total of 58 units with daily capacity of 309,000 barrels have been contracted for.

TABLE I
U. S. Power Sources

SOURCE	1900 Trillions of Btu's	1900 Percent of Total	1950 Trillions of Btu's	1950 Percent of Total	Times Increase Over 1900
Coal	7.02	88.9	14.65	41.3	2.1
Oil	0.33	4.5	12.44	35.1	38.0
Natural Gas	0.24	3.2	6.75	19.0	28.0
Water Power	0.24	3.2	1.57	4.4	6.5

The summary effect of these developments is tremendous. The use of the thermal and catalytic processes has made unnecessary the production of 40 billion barrels of crude oil since the first cracking units were installed in 1913. At present the saving from both greater quantities and better qualities of fuels is saving about 2 billion barrels of oil per year. When the 12 to 1 compression ratio engines which require 100 octane gasoline come on the market, motorists will obtain 40% more miles per gallon than they average today. At the present level of consumption and price of gasoline, this savings would amount to $4.5 billion per year.

The role of high quantities and qualities of gasoline in the development of aviation has been as vital as in automotive transportation. Without the enormous supplies of 100 plus fuel made possible by the alkylation process during the last war, victory would have been impossible. The German Messerschmitts in the battle for Britain were fueled with 91 octane number gasoline while British Spitfires used 100 octane gasoline and were enabled to out fly and out maneuver the German planes. Aviation is now dependent upon adequate supplies of even higher performance rating gasoline. In the three years from 1949 to 1952 the production of aviation gasoline in the United States increased from 128,700,000 to 203,000,000 barrels per year and military specifications run as high as 115/145 performance rating. Our commercial fleets which flew over 12,350,000,000 passenger miles and 254,188,642 ton freight miles in 1952 would not be possible without adequate supplies of high octane gasoline.

Jet-propelled planes present new fuel problems to the oil industry. The fuel needed for the turbines of jet planes must have high heating value per unit weight, low carbon forming tendencies and low freezing point because of the low temperatures at the high altitudes of 7 or 8 miles where the planes operate most efficiently. These requirements point to kerosene or light gas oil and heavy ends of gasoline as the best fuel. The use of jets in aerial warfare attests to the improvements in jet fuels that have already been made and the intensive research now going on is sure to bring forth fuels which will make commercial operation profitable.

Another fuel of major importance in our vast transportation system is diesel fuel. It is used in many of the trucks and buses on the road and by a large proportion of railway locomotives. The rapid dieselization of railroads is most spectacular. The first diesel engine in railroad history was put in service on the Burlington in 1934. In 1945 the number had climbed to 3,816 and at the present time railroads have 21,000 diesel locomotives in service and 20 out of 140 class one railroads are completely dieselized. In 1952 diesel electric locomotives accounted for 65% of the gross ton miles of all railroads, with coal burning steam locomotives accounting for 27% and oil burning steam locomotives 7%, and electrical locomotives 1%.

The reasons for rapid acceptance of diesel locomotives are numerous. The fuel efficiency of a diesel locomotive is 26% compared with 7% for a steam engine. Diesel locomotives are much longer lived than steam. The first Burlington diesel is still in service after 2.5 million miles of travel, while the average steam locomotive is sent to the scrap heap after 1.5 million miles. Another important consideration is that a diesel locomotive requires no water so that watering stations are eliminated. It is being considered by some diesel locomotive builders that 35,000 engines represent the saturation point for the railroads.

Agriculture

The impact of the oil industry is perhaps greater upon agriculture than on any other phase of our economy. When the oil in-

Continued on page 26

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks this week did what has come to be a rare feat—they put several days of advances together in a string for one of the few times it has happened this year.

* * *

Admittedly, stocks neither go up nor down forever without moments of respite. Nevertheless, the runs of three and four days of losses have gotten somewhat monotonous, if not downright discouraging to investors.

* * *

The still-minor achievement of a string on the upside was accomplished only after the April decline had carried to new lows for the year a week ago today. So it could have elements of being a technical rebound.

* * *

However, there is more than a suspicion that the stream of unexpectedly good first quarter reports is finally starting to break through to convert some of the thick pessimism that has been so rampant. The spirited turnabout Tuesday after the surprise dividend increase by Jones & Laughlin, which incidentally took the play away from the universally awaited quarterly report of U. S. Steel, was concrete evidence that earnings and payments rather than public psychology are still basic influences in the stock market.

* * *

New Lows Gloom

The gloom won't disappear overnight. For one, new lows have been outpacing new highs by rather drastic margins. The ratio has been as extreme as 70-to-1 recently and the large number of repeaters on the daily list doesn't do much to mitigate the ratios since so much quality company has been joining the regulars.

* * *

But a calm appraisal of specific prices of various leaders on March 27 — last trading session before the decline started — and those reached this week shows a picture that, depending on interpretation, can be made to prove almost any case. In one section the recent decline was drastic. In another it was merely a mild setback. But it all boils down only to that much-overworked but all-too-true description:—Selectivity.

* * *

Some Pivotal Resistance

Some of the pivotals are now only a couple of points under the March levels. U. S. Steel, a widely accepted bellwether, could have been sold at only a bit more than a point loss over the March price. Chrysler, despite some special pressure, suffered only around five points while DuPont, another special selling target, could have fetched a price only half a dozen points lower while the industrial average was clipped for better than 16 points in the four weeks of selling.

* * *

Rexall Drug, Safeway Stores, American Tobacco and Reynolds Tobacco have been immune to the selling and are around a point higher generally except for low-priced Rexall but it, nevertheless, is half a point higher for a good percentage appreciation.

* * *

On the other hand, issues like Superior Oil, which certainly doesn't sell on any times-earnings or yield basis, are where the big damage was sustained. Superior's decline is some 70 points in the month. Kern County and Texas Land, which both sell more on an allure than a statistical basis, dropped 10 and 30 points respectively. Amerada, the darling of the institutional buyers for some years now, lost around 20 points in the selloff.

* * *

It proves that speculative excesses weren't concentrated too much among the pivotals and the selling skipped by them just as much.

* * *

It also hints at a significant shift in emphasis, ending a decade during which war and inflation kept astute investors susceptible only to issues that represented "something in the ground." A fair share of this school consisted of the war-scared investments of foreigners who persistently through the years have shown a more basic approach to the problem than have Americans.

* * *

Mutual Fund Policy

But the growing mutual funds have shown plenty of evidence of this predilection and what will happen to them is still to be unveiled. As yet there has been no real evidence that they have been doing anything more than switching here and there to improve their positions. Apparently they still have major holdings of oil and natural gas companies and acquired them long enough ago to show some sizable profits even in the face of much deeper slashes in market quotations.

With at least a temporary lull in the selling, sentiment improved materially. Several of the investment counsellors were sufficiently encouraged to start thinking in terms of a worthwhile rally. Not the least of these was a Chicago adviser who committed to the record a prediction of a bounce of "about 16 to possibly 30 points above the April lows." As with most other market students, he looks for improvement outside the realm of the blue chips and the natural resources group; citing mail order, variety store, food, gold, cement and airline shares among the future favorites.

* * *

Some other commentators recovered their optimism enough to offer gingerly some buy recommendations. Their buying ranges, by inference, admitted the possibility of some more selling carrying them a point or two lower, but the fact that a positive view is emerging is at least a change.

* * *

Volume Puzzling

Volume is still a disappointment as well as a puzzle. While the year's total to date is still some 12% ahead of last year, the comparison is faulty because 1952 was no outstanding one on this score.

* * *

True, there has been a declining volume on days of pressure. On the final March session a volume of 3,120,000 was generated, the high for the year. The next assault saw a drop to 3,050,000. Last Thursday when the lows for the move were recorded, it only brought out 1,920,000 shares.

* * *

But there is also a pattern of diminishing volume on recovery days. The first technical rebound early in the month saw volume reach 1,860,000. Another rally a week and a half ago generated a turnover of 1,520,000. Monday's attempt, a fairly brisk one, produced 1,400,000 and the rally the day after dropped to 1,330,000.

* * *

The Technical Picture

The technical picture still has some room for hope. Opinions differ but the majority view is that the October low of 263.05 or the intraday absolute low of 262.01 would have to be penetrated decisively before there would be a clearcut signal that the market has reversed its four-year-old bull swing. The 270.-73 of a week ago, or the intraday 269.25, are the limits so far. Considering the gap, it would seem to call for far more volume than we have had recently to carry the downswing through the October signal points any time soon. The market would have to sag for many sessions of quiet trading to get close enough to violating the lows before the technical situation would, of itself, spark wholesale unloading.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Slight Pickup in New Orders, Production; Buyers' Market Noted

Business Survey Committee of the National Association of Purchasing Agents find industrial business in April holding previous gains, but with pronounced trend to buyers' market.

A composite opinion of purchasing agents who comprise the Business Survey Committee of the National Association of Purchasing Agents whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Co., Division of Olin Industries, Inc., New Haven, Conn., reports industrial business in April, normally a month of seasonal pickup, is holding previous gains and there has been a slight increase in new orders and production. Prices are developing a sidewise movement with a more pronounced trend to a buyers' market. Foreign offerings are having a depressing effect on several basic commodities.

Robert C. Swanton

Unworked material inventories are again on a downward course, following the leveling off reported last month. Employment is holding high but overtime is receding. A number of work stoppages this month have been of short duration.

The reports of defense order cancellations, cutbacks and stretch-outs have not, so far, had much effect on raw material supplies.

Purchasing Agents are almost apathetic to the Russian change of pace with proposals for a Korean truce and peace talks. Except for a further tightening of the cautious buying policy, their attitude is "wait and see." The present momentum is expected to carry general business through the next two months at a high rate, and this is confirmed by the predominant procurement policy which is in the midrange between 30 to 90 days.

Commodity Prices

The trend of industrial material prices is up, but at a creeping pace. The spurt that followed price decontrol last month appears to have spent itself. The movement is more sidewise, as the forces of supply and demand press toward buyers' markets. Sellers of fabricated items, endeavoring to encourage long-term volume commitments to support high break-even points, are making concessions. Foreign materials, heretofore sold on a spot basis, are now seeking continuing business and affecting domestic prices.

Inventories

Industrial purchased material inventories, which had a tendency to level off last month, have taken a slight dip in April. This is a normal condition as Spring and Summer production schedules get into full swing. Short ordering policies continue to grow. Very few materials are now in critical short supply. The cautious view on inventories is expected to continue until prices show a more definite trend.

Employment

Employment still holds high in April. Overtime is being reduced. All types of skilled help is scarce. Trained office people are hard to find. A smattering of strikes around the country are mostly of short duration. Outdoor employment is taking up the slack in some areas.

Buying Policy

Hand-to-mouth to 90 days continues to be the principal forward market view of most industrial purchasing agents. Within that bracket, 30 to 60 days is the predominant coverage Balanced inventories, easy availability, and a cautious attitude toward the current price structure influence this policy.

Continued from page 4

No Reversal of Bullish Trend in Stock Market

2%. In my opinion, this is a factor that should be watched, but unless this trend should carry very considerably further, I would not be inclined to consider it a warning signal.

A final point on the favorable side is the vast amount of capital expenditures that have occurred during the last seven years which has resulted in wide scale modernization of plants with consequent much improved efficiency of operation. A less pressing need for capital expenditures could very readily result in more liberal dividend policies on the part of corporations generally. With leading industrial companies paying out well under 50% of earnings, there would appear to be considerable room for dividend increases even if there were to be a moderate decline in earnings.

I recognize that the generally expected easing of business activity in the second half of this year may prove to be somewhat greater than originally anticipated, as a result of the possible relaxing of international tensions. However, the general level of securities, even prior to the last decline, was one that evaluated earnings and dividends quite conservatively; and accordingly, the most recent decline in the market, in my opinion, rather thoroughly discounts these prospects.

As to a market policy for the present, I believe it should be geared to the prospect of continued irregularity in the market. However, I would regard any further period of moderate weakness as providing a buying opportunity, rather than the occasion for a program of general liquidation.

ANNUAL REPORT — 1952

THE NEW YORK CENTRAL RAILROAD COMPANY

The President's Review

The New York Central and its leased lines, which does not include separately operated companies, such as the Pittsburgh and Lake Erie, Indiana Harbor Belt, and Chicago River and Indiana Railroads, nor other subsidiaries such as Merchants Despatch Transportation Corporation, Despatch Shops, Inc., and Northern Refrigerator Line, Inc., has become a $2 billion corporation, taking into account the investment in transportation property, less depreciation, plus cash and material and supplies. At the end of the year, it had 44,641 shareowners of record, and during the year averaged 104,000 employes.

The company's net income for the year was, in round figures, $24,716,000. The earnings per share were $3.83, and the rate of return was only 2.48 per cent. In 1951 net income was $14,718,000; the earnings per share, $2.28; and the rate of return, 2.12 per cent.

Gross revenue for both 1952 and 1951 was about the same, at $806,926,000. Revenues in 1952 were aided by an increase in freight rates effective May 2, but adversely affected by a four-day strike in March 1952 which shut down the railroad west of Buffalo, in which the New York Central was picked out as a sole target; by the 54-day steel strike in mid-1952; and to some extent by a threatened strike of operating employes on the line Buffalo and East in August 1952, which did not occur.

Net income in both 1952 and 1951 as reported was somewhat inflated because, under instructions of the Interstate Commerce Commission, the railroads are not permitted to charge to operating expenses accelerated amortization on facilities and equipment necessary for the defense effort and for which certificates have been granted by the Defense Production Administration. While accelerated amortization is a proper deduction for federal income tax purposes and the effect is reflected in tax accruals, failure to include in operating expenses more than normal depreciation results in earnings as reported being inflated.

The slightly better net income for 1952, although it was the best of any post-war year, was wholly inadequate for a $2 billion property with a gross revenue of $806,926,000. The inadequacy of net income can best be understood when it is realized that a 6 per cent return—nominal in itself—would have produced net income of $95,500,000. Even a 4 per cent return would have produced net income of $55,300,000.

Charges to capital account covering the acquisition of new equipment and improvements to existing equipment amounted in 1952 to $107,500,000 and for roadway and structures to $32,600,000, a total of $140,100,000, which was the highest in the history of the company. Capital expenditures have been running at a high rate ever since the end of the war, and this has caused working capital to be reduced some 71 per cent. The company's needs for additional capital expenditures are still great, but there will have to be a tapering off until earnings are more substantial and working capital increased, with the principal emphasis being placed on the acquisition of diesel locomotives.

At the end of the year, dieselization of the System was about 55 per cent complete. It is hoped that diesel locomotives may be acquired in 1953 sufficient to complete dieselization of the entire railroad, Buffalo and East, and enable all through passenger trains east of Cleveland and Detroit to be handled with diesel locomotives. If this developes to be possible, dieselization will be about 60 per cent complete.

Since the end of 1945, debt represented by obligations for new equipment has increased $193,963,404. Equipment debt at the end of the year stood at $256,956,685. In the same period, bonded debt decreased $60,197,054, making a net increase in debt from the end of 1945 to the end of 1952 of $133,766,350.

Continuing as a heavy burden on the company's earnings is the deficit from passenger train operations. According to the formula of the Interstate Commerce Commission, the passenger deficit in 1952 was $50,621,-758, compared with $54,266,425 in 1951. While the deficit according to the Interstate Commerce Commission formula does not represent the amount of money that would be saved if all passenger service were discontinued, we nevertheless estimate that the actual out-of-pocket deficit for 1952 was in the neighborhood of $25,000,000, more or less.

This problem is being tackled in various ways. The company has employed, since February 1952, a firm of management engineers which is going into all phases of the passenger deficit problem. On January 1, 1953, there was appointed a vice president, passenger services, reporting directly to the president and responsible for all phases of passenger service, including the deficit. It is well known that the private automobile has virtually dried up local and branch line passenger business, and strenuous efforts are under way to secure authority from the various state commissions to eliminate all local and branch line service where the patronage is such that trains are operated at a continuing financial loss.

The state commissions are well aware of this problem, as evidenced by action taken by the National Association of Railroad and Utilities Commissioners at its convention in Little Rock, Ark., last November, when it adopted a report of a special committee containing, among other things, the following:

"The large and continuing deficits incurred by the railroads from the operation of passenger train service constitute the railroad industry's most serious problem today—a problem which is of paramount importance to the members of this Association and to the general public. Railroad earnings are being adversely affected, the users of freight service are already being forced to bear some of the burden of passenger losses, and if the trend toward increasing passenger deficits is continued unabated, the ability of the railroads as a privately-owned industry to continue providing necessary freight and passenger service to the public, either under normal conditions or in times of emergency, will be seriously jeopardized."

And then, referring to applications of the railroads to eliminate so-called deficit passenger trains, it recommended:

"that the regulatory bodies in acting upon such applications should adhere vigorously to the principle that where the service cannot be made compensatory its abandonment should be permitted, having due regard for the public convenience and necessity."

In addition to taking off unprofitable trains, we are retiring a considerable number of old passenger-carrying cars, from which we have been securing inadequate utilization, but which have been maintained to take care of peak travel occurring on a few holiday seasons and when weather conditions are such that flying and highway travel is impossible or handicapped. The railroads cannot be expected to own and maintain passenger equipment, including both locomotives and cars, sufficient to take care of a few peak demands a year nor to fill the gap caused by the handicaps of other forms of transportation.

Many other phases and elements of costs involved in passenger train services are under careful scrutiny. Our purpose will be to reduce the passenger deficit to the greatest possible extent and provide on our remaining trains an unsurpassed standard of service.

The standard of maintenance of tracks and structures on New York Central is not to our satisfaction. We must devote a considerable amount of money toward improving it and, while doing so, mechanize our maintenance operations to the greatest possible extent.

With respect to equipment, our percentage of bad order freight cars has been too high. It has been improving, but we must continue and bring it down to normal. The freight car is our greatest earnings medium. We must secure a high degree of utilization from its use and we cannot afford an excessive number of bad order cars when there is a shipper demand for freight cars; and we cannot afford to buy new cars when we have an excess of bad orders.

An intensive campaign has been under way for the last seven months with the object of converting into cash all scrap that might be located on the railroad and at the same time to convert to use all usable materials, so as to reduce the inventory of material and supplies. Indicative of the effort in this respect is the fact that, since August 1, 1952, the value of material and supplies on hand has decreased from $72,900,000 to less than $60,000,000 on February 1.

The officers of your company, along with those of other railroads, are seeking to convince the American people, particularly American businessmen and members of Congress, that some legislative remedies are necessary with respect to the regulation of railroads. Railroads are no longer a monopoly. They must have an opportunity to compete for the transportation business of the country on a basis of equality with all other forms of transportation, so that the users of all forms of transportation with a free choice to use that form which they select shall pay the full cost of that form of transportation, with subsidy to none and equal justice to all.

That there is a growing awareness of the need for legislative remedy is evidenced by the interest in this subject shown by the committees of both the Senate and House having to do with transportation and commerce, by the United States Chamber of Commerce, the National Industrial Traffic League, the Transportation Association of America, and many others. It is hoped that in the 83rd Congress we will see the beginning of efforts to bring about some changes in legislation, among which are:

1. A reduction in the time lag that has heretofore been so costly in securing rate and fare increases necessary to offset substantial increases in cost;

2. A revision of the rule of rate making to eliminate the requirement that the Interstate Commerce Commission, among other things, give consideration to the effect of rates on traffic movement, which should be a managerial responsibility;

3. The right to appeal to the Interstate Commerce Commission against adverse decisions or inaction on the part of state commissions with respect to the abandonment of passenger trains which are operated at a continuing financial loss;

4. Elimination of the long and short haul clause, which is a great handicap in meeting competition of other forms of transportation;

5. Publishing of actual rates by contract carriers for hire, the same as is required of common carriers, so that common carriers will know what rate adjustments are necessary to meet competition; and

6. Finally, it is hoped that the Congress and all state legislatures can be convinced that, in order for the railroads to compete with other forms of transportation, there must be eliminated the subsidies now enjoyed by other forms of transportation, and which are neither available to nor desired by the railroads.

An encouraging note is the recent decision of the Interstate Commerce Commission upholding the contentions of the eastern railroads with respect to division of revenues from freight traffic moving on joint through rates between eastern and southern and between eastern and southwestern territories. Since 1939 the southern and southwestern railroads have been enjoying a division of revenues on such through traffic inflated beyond divisions based upon service performed. In 1947 the eastern railroads started a proceeding to remove this injustice.

Early in 1953, the Commission handed down its decision and order removing the inequity of the inflated divisions, effective May 1, 1953. While it did not grant the full adjustment sought by eastern railroads, they will receive a more equitable share of through rates than in the past, and this should result in approximately $7,000,-000 additional revenue per year for the Central at present level of traffic volume.

There is much speculation as to how long the high level of business volume will continue. We have no way of knowing. Thus far in 1953 our freight business, other than coal, is holding up well. The mild winter, the dumping of foreign residual oils on the eastern seaboard, and the high volume of coal in stock have resulted in decreased coal loadings. At mines served by the New York Central, coal loading is 22.2 per cent less than the same period of last year. Equivalent decreases in coal loadings on connecting lines from which the Central receives a large volume of coal traffic are likewise having an adverse effect on coal revenues. It is not generally realized that New York Central is one of the largest handlers of coal tonnage. Coal represents in excess of 20 per cent of our total freight revenue, and reduced coal loadings are therefore of serious consequence.

We are glad to report that activities in securing new industries to locate on our line have been encouraging. During 1952, 336 new industries were located on all System lines, expected to produce some 125,000 cars per year. A total of 105 existing industries either discontinued operations or moved to locations off of System lines, so that the net gain was 231 industries. Out of the total of 336 new industries, 21 were large concerns, each expected to produce more than 1,000 cars per year. This is a continuing activity which must be pursued with vigor.

Needless to say, there is much to be done, but, with the loyal efforts of all officers and employes, it is our purpose to constantly improve New York Central's service to its patrons, to improve our standard of maintenance, and to institute measures that will bring about greater efficiency and economy. Summed up, our credo is:

"Our aim must always be to provide for the public the best possible service; to produce that service efficiently and economically; to sell it in abundance; to provide good pay and working conditions for our employes; to pay our debts, and to pay our stockholders an adequate dividend."

We wish to acknowledge the loyal services of the great body of New York Central employes who have so much pride in the successful operation of New York Central. Some 100,000 of us, all working to the same end, will achieve a maximum result for our stockholders, whose interest we have always in mind.

April 2, 1953

Wm. White
President

ADVERTISEMENT ADVERTISEMENT ADVERTISEMENT

UNION PACIFIC RAILROAD COMPANY

FIFTY-SIXTH ANNUAL REPORT — YEAR ENDED DECEMBER 31, 1952

To Stockholders of Union Pacific Railroad Company:

The Board of Directors submits the following report for the year ended December 31, 1952, for Union Pacific Railroad Company, including Oregon Short Line Railroad Company, Oregon-Washington Railroad & Navigation Company, Los Angeles & Salt Lake Railroad Company, and The St. Joseph and Grand Island Railway Company, whose properties are leased to Union Pacific Railroad Company. The lessor companies have certain income and charges and the figures in the Income Account, other than those relating to transportation operations, and in the Surplus Account and General Balance Sheet and tabulations and tables relating thereto are stated on a consolidated basis, *excluding offsetting accounts between companies.*

INCOME.

	1952	1951	Increase	Decrease
Transportation Operations				
Operating revenues	$520,221,326.18	$505,197,760.44	$15,023,565.74	
Operating expenses	389,840,053.84	375,470,619.32	14,369,434.52	
Revenues over expenses	$130,381,272.34	$129,727,141.12	$654,131.22	
Taxes	79,957,999.73	77,114,792.02	2,843,207.71	
Railway Operating Income	$50,423,272.61	$52,612,349.10	--------	$2,189,076.49
Equipment rents (debit)	16,275,972.57	15,563,575.34	$712,397.23	
Joint facility rents (debit)	1,386,179.63	1,397,484.55	--------	11,304.92
Net Income from Transportation Operations	$32,761,120.41	$35,651,289.21	--------	$2,890,168.80
Income from Investments and Sources other than Transportation Operations				
Income from oil and gas operations—net*	$33,608,842.45	$31,483,424.08	$2,125,418.37	
Other income	8,218,891.74	8,324,771.66	--------	$105,879.92
Total	$41,827,734.19	$39,808,195.74	$2,019,538.45	
Total Income	$74,588,854.60	$75,459,484.95	--------	$870,630.35
Fixed and Other Charges				
Interest on funded debt	$5,175,091.10	$5,368,574.94	--------	$193,483.84
Other interest	381,282.52	430,831.72	--------	49,549.20
Miscellaneous rents	26,986.25	25,470.02	$1,516.23	
Miscellaneous charges	278,268.45	769,256.72	--------	490,988.27
Total	$5,861,628.32	$6,594,133.40	--------	$732,505.08
Net Income from All Sources	$68,727,226.28	$68,865,351.55	--------	$138,125.27
Released from "Reserve against possible refunds on U. S. Government shipments"	938,257.29	6,894.42	$931,362.87	
Total for Disposition	$69,665,483.57	$68,872,245.97	$793,237.60	
Per cent on par value of Capital Stock and average Surplus	7.94	8.23	--------	.29
DISPOSITION				
Dividends on Preferred Stock of Union Pacific Railroad Company	$3,981,724.00	$3,981,724.00		
Surplus for Common Stock of Union Pacific Railroad Company	$65,683,759.57	$64,890,521.97	$793,237.60	
Per share on stock outstanding December 31st	$14.77	$14.60	$.17	
Dividends on Common Stock	26,674,920.00	26,674,920.00		
Transferred to Earned Surplus—Unappropriated	$39,008,839.57	$38,215,601.97	$793,237.60	

*Excludes income taxes.

GENERAL BALANCE SHEET—ASSETS.

	December 31, 1952	December 31, 1951	Increase	Decrease
Investments:				
Road and Equipment	$1,314,742,024.82	$1,281,792,134.46	$32,949,890.36	
Less:				
Receipts from improvement and equipment fund (Credit)	*$23,823,091.13*	*$23,823,091.13*		
Appropriations from income and surplus prior to July 1, 1907 (Credit)	*13,310,236.52*	*13,310,236.52*		
Total	*$37,133,327.65*	*$37,133,327.65*		
Road and equipment property	$1,277,608,697.17	$1,244,658,806.81	$32,949,890.36	
Donations and grants (Credit)	*18,146,492.68*	*16,572,031.88*	*1,574,460.80*	
Reserve for depreciation — road and equipment (Credit)	*226,269,671.36*	*213,811,198.18*	*12,458,473.18*	
Reserve for amortization of national defense projects (Credit)	*58,964,417.07*	*59,398,536.25*	--------	*$434,119.18*
Sinking funds	1,301.25	2,563.75	--------	1,262.50
Capital and other reserve funds	10,052.58	9,739.93	312.65	
Miscellaneous physical property	36,569,692.51	37,280,960.61	--------	711,268.10
Reserve for depreciation — miscellaneous physical property (Credit)	*19,707,883.51*	*19,444,433.68*	*263,449.83*	
Investments in affiliated companies:				
Stocks	$17,770,092.48	$19,563,115.24	--------	$1,793,022.76
Notes	277,001.18	288,918.68	--------	11,917.50
Advances	7,628,891.22	8,202,704.98	--------	573,813.76
Total Investments in Affiliated Companies	$25,675,984.88	$28,054,738.90	--------	$2,378,754.02
Other investments:				
Stocks	$57,677,424.18	$63,343,395.87	--------	$5,665,971.69
Bonds and notes	15,626,494.94	20,858,797.55	--------	5,232,302.61
Total Other Investments	$73,303,919.12	$84,202,193.42	--------	$10,898,274.30
Reserve for adjustment of investments in securities (Credit)	*$27,817,217.92*	*$33,444,603.22*	--------	*$5,627,385.30*
Total Investments	$1,062,263,964.97	$1,051,538,200.21	$10,725,764.76	
Current Assets:				
Cash	$53,016,225.47	$41,034,860.92	$11,931,364.55	
Temporary cash investments (U. S. Government securities)	81,224,765.63	56,400,000.00	24,824,765.63	
Special deposits	105,366.90	126,908.50	--------	$21,541.60
Loans and bills receivable	35.00	757.01	--------	722.01
Traffic and car-service balances—net	13,624,847.11	12,338,877.34	1,285,969.77	
Net balance receivable from agents and conductors	7,949,396.87	6,699,645.10	1,249,751.77	
Miscellaneous accounts receivable	17,368,731.20	22,063,981.57	--------	4,695,250.37
Material and supplies	49,559,274.59	57,829,984.35	--------	8,270,709.76
Interest and dividends receivable	1,112,881.35	914,385.88	198,495.47	
Accrued accounts receivable	16,326,211.82	16,195,664.54	130,547.28	
Other current assets:				
Baltimore and Ohio Railroad Co. capital stock applicable to payment of extra dividend of 1914	104,877.30	104,877.30		
Miscellaneous items	460,208.27	3,143,133.67	--------	2,682,925.40
Total Current Assets	$240,852,821.51	$216,903,076.18	$23,949,745.33	
Deferred Assets:				
Working fund advances	$145,005.37	$136,103.66	$8,901.71	
Other deferred assets	2,365,449.01	1,032,690.44	1,332,758.57	
Total Deferred Assets	$2,510,454.38	$1,168,794.10	$1,341,660.28	
Unadjusted Debits:				
Prepayments	$632,559.60	$16,274.18	$616,285.42	
Other unadjusted debits	2,118,649.13	2,097,239.19	21,409.94	
Total Unadjusted Debits	$2,751,208.73	$2,113,513.37	$637,695.36	
Grand Total	$1,308,378,449.59	$1,271,723,583.86	$36,654,865.73	

GENERAL BALANCE SHEET—LIABILITIES.

	December 31, 1952	December 31, 1951	Increase	Decrease
Capital Stock:				
Common stock	$222,302,500.00	$222,302,500.00		
Preferred stock	99,591,580.79	99,591,580.79		
Total Capital Stock	$321,894,080.79	$321,894,080.79		
Funded Debt	194,702,865.81	204,453,789.15	--------	$9,750,923.34
Total Capital Stock and Funded Debt	$516,596,946.60	$526,347,869.94	--------	$9,750,923.34
Due to Affiliated Companies	$10,207,439.53	$8,019,631.25	$2,187,808.28	
Current Liabilities:				
Audited accounts and wages payable	$30,134,988.09	$28,218,176.39	$1,916,811.70	
Miscellaneous accounts payable	2,686,182.68	2,349,155.83	337,026.85	
Interest matured unpaid (including interest due first proximo)	123,064.52	158,863.55	--------	$35,799.03
Dividends matured unpaid:				
Dividends due but uncalled for	216,024.99	222,664.65	--------	6,639.66
Extra dividend on common stock declared January 8, 1914, payable to stockholders of record March 2, 1914, unpaid	113,161.16	113,161.16		
Dividend on common stock payable second proximo	10,003,095.00	10,003,095.00		
Unmatured interest accrued	1,572,261.94	1,588,388.61	--------	16,126.67
Accrued accounts payable	18,406,743.36	19,848,714.81	--------	1,441,971.45
Taxes accrued	58,316,415.38	59,921,985.86	--------	1,605,570.48
Other current liabilities	2,071,219.00	2,240,529.29	--------	169,310.29
Total Current Liabilities	$123,643,156.12	$124,664,735.15	--------	$1,021,579.03
Deferred Liabilities	$8,101,771.49	$7,789,558.74	$312,212.75	
Unadjusted Credits:				
Premium on funded debt	$3,843,772.10	$4,052,911.93	--------	$209,139.83
Reserve for fire insurance	21,416,620.44	19,979,899.11	$1,436,721.33	
Reserve for depreciaion — leased property	9,253.43	8,275.39	978.04	
Other unadjusted credits	1,049,203.56	1,033,925.79	15,277.77	
Total Unadjusted Credits	$26,318,849.53	$25,075,012.22	$1,243,837.31	
Total Liabilities	$684,868,163.27	$691,896,807.30	--------	$7,028,644.03
Surplus:				
Unearned surplus	$326,555.94	$311,639.23	$14,916.71	
Earned surplus—appropriated:				
Additions and betterments	$28,522,352.23	$28,522,352.23		
Funded debt retired through income and surplus	10,350,539.91	9,141,429.91	$1,209,110.00	
Sinking fund reserves	1,301.25	2,563.75	--------	$1,262.50
Reserve against possible refunds on U. S. Government shipments	752,496.43	1,690,753.72	--------	938,257.29
Total Earned Surplus — Appropriated	$39,626,689.82	$39,357,099.61	$269,590.21	
Earned Surplus — Unappropriated	$543,972,493.32	$500,573,490.48	$43,399,002.84	
Total Earned Surplus	$583,599,183.14	$539,930,590.09	$43,668,593.05	
Total Surplus	$583,925,739.08	$540,242,229.32	$43,683,509.76	

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

William J. Snow, Jr., has been named a Vice-President of **Bankers Trust Company, New York City** where he is a member of the staff of the banking department's out-of-town division, servicing business in the Southwest district. He had been an assistant Vice-President.

William J. Snow, Jr.

At the same time, S. Sloan Colt, President, announced that the Board of Directors has promoted two officers of the rank of Asst. Vice-President. They are John F. Cook of the foreign department and Floyd E. McKee, of the bank's office at Fifth Avenue and 44th Street. Both had been assistant Treasurers.

Arthur Johnson was also elected to the post of Assistant Secretary in the pension and personal trust department.

Other staff changes announced yesterday were the appointment of Harold Flynn, as manager of operations for the midtown Manhattan branch offices, and John Hawes, Jr. as manager in the foreign exchange division.

Mr. Snow joined the bank's staff in 1944 as an assistant Vice-President. He had served with various agricultural agencies of the Federal Government from 1934.

Mr. Cook had been an officer of The Commercial National Bank and Trust Company at the time of its merger with Bankers Trust Company in 1951, when he became an Assistant Treasurer. He was associated with foreign banking activities for the principal part of his banking career, having joined Commercial National's staff in 1929.

Mr. McKee, joined the bank's credit department staff in 1934. He was elected an officer in 1950, and has served in various of the Bank's Manhattan offices. Mr. Johnson, who is engaged in trust operations work, has been a staff member of the bank since 1931.

* * *

Chemical Bank & Trust Company, New York City has elected Curtis W. McGraw to the advisory board of its Times Square Office at Broadway and 44th Street, it was announced on April 27 by N. Baxter Jackson, Chairman.

Mr. McGraw is President and Chairman of McGraw-Hill Publishing Co., Inc. He is Chairman of board of McGraw-Hill Book Co., Inc., McGraw-Hill International Corp., McGraw-Hill Co. of California and Gregg Publishing Company; President and Director of McGraw-Hill Building Corp. and American Book Publishers Council; Vice-President and Director of Newton Falls Paper Mill, and Director of National Assn. of Magazine Publishers, Dragon Cement Co., Inc. and First National Bank of Princeton, N. J. He is President and Trustee of Princeton Hospital and is Treasurer and Director of Princeton University Press.

* * *

E. Chester Gersten, President of **The Public National Bank and Trust Company of New York,** announced the appointment of Arthur W. Somers, formerly Assistant Vice-President to Vice-President. Mr. Somers is associated with the business development activities at the Main Office and for several years has been a member of the division representing the Bank in New Jersey, Pennsylvania, Delaware, Maryland and the District of Columbia.

Also announced were the promotions of Eugene Brinker, Assistant Cashier to Assistant Vice-President and Burton Mitchell to Assistant Cashier, both of the Broadway and 24th Street Office.

* * *

At the regular meeting of the board of directors of the **National City Bank of New York** held on April 28 James S. Neefus was appointed assistant cashier. Mr. Neefus is assigned to the credit department of the bank at head office.

* * *

Mr. George O. Nodyne, President of the **East River Savings Bank, New York** announces that final authority has been granted for change of location of one of its offices from 291 Broadway to 55 John Street.

The office at 291 Broadway was opened April 11, 1911. It served as main office from the opening of the bank's first branch at 743 Amsterdam Avenue on March 5, 1927 until January, 1935, when the present main office was opened at 26 Cortlandt Street.

In October, 1932, when the Italian Savings Bank and the Maiden Lane Savings Bank were merged with it, the East River became the first savings bank in the state to have five offices.

The 55 John Street premises are presently occupied by the Zurich Insurance Company, owners of the building. Architects' designs for the ground floor and basement space to be occupied by the bank include modern layout and equipment.

* * *

George E. Clark, President of The Adams Express Co., has been elected a Director of **Grace National Bank of New York.**

Mr. Adams is also a Director of Cleveland-Cliffs Iron Co., Harvey Hubell, Inc., Mack Trucks, Inc. and the Lone Star Cement Corp.

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BANK ITEM FOUR 4

The proposed merger of **The County Trust Company, White Plains, New York** with **The First National Bank and Trust Company of Croton, New York** was approved on April 24 at a special meeting of County Trust Company stockholders, Andrew Wilson, Chairman of the bank's Board of Directors announced. The stockholders also voted in favor of a profit sharing plan under which all employees of The County Trust Company will acquire an interest in the bank's annual earnings, Mr. Wilson declared.

Mr. Wilson pointed out that now that stockholders of both The County Trust Company and The First National Bank and Trust Company of Croton have approved the merger of the two institutions it will become effective as soon as official sanction from State banking authorities is received.

* * *

Raymond A. Mieczkowski, Treasurer of **The County Trust Company in White Plains, New York,** completed 25 years of association with the bank today. Mr. Mieczkowski, started with the bank as a messenger.

* * *

The New London City National Bank, New London, Conn., increased its common capital stock from $500,000 to $750,000 by a sale of new stock, effective April 16, 1953.

* * *

The New Haven Bank, National Banking Association, New Haven, Conn., increased its common capital stock from $800,000 to $1,000,000 by a stock dividend, effective April 17.

* * *

Robert E. MacNeal, President of the Curtis Publishing Company, was elected on April 27 a member of the Board of Directors of **The Pennsylvania Company for Banking and Trusts, Philadelphia, Pennsylvania.**

Mr. MacNeal has been associated with Curtis since 1923. He was made a Director of the company in 1942, and was elected President in 1950.

He is also a Director of the Chamber of Commerce of Greater Philadelphia and the Philadelphia United Fund, a member of the Board of Managers of the Western Saving Fund Society of Philadelphia, and a member of a number of business and civic organizations.

* * *

The Ambridge National Bank, Ambridge, Pa. (with common stock of $150,000) was placed in voluntary liquidation, effective March 23, having been absorbed by **Mellon National Bank and Trust Company, Pittsburgh, Pa.** at the close of business March 28.

* * *

The common capital stock of **The First National Bank of Ottawa, Ill.** was increased, effective April 17, from $500,000 to $600,000 by sale of new stock.

* * *

B. F. Clark, Chairman of the Board of the **Colorado State Bank of Denver, Colo.** died on April 18 at the age of 93.

* * *

Directors of **California Bank, Los Angeles,** have recommended to shareholders that certain Articles of Incorporation be amended in order to effect a split-up of the shares of stock on a two-for-one basis as well as to alter the preemptive rights of the shareholders.

The bank now has authorized 800,000 shares of capital stock of the par value of $25 each—one-half of this amount, or $10,000,000 par value is now issued and outstanding. It is proposed to increase authorized shares to 1,600,000 and to decrease the par value of the shares to $12.50 each. This will split the stock of presently outstanding $25 shares into two shares of $12.50 par value each. The outstanding shares will then be 800,000 with an aggregate par value of $10,000,000, leaving unissued the remaining 800,000 shares with an aggregate par value of $10,000,000.

Shareholders now have the prior right to subscribe pro rata according to their holdings for any unissued shares which the bank proposed to issue. Under the proposed amendment, the preemptive rights of shareholders shall not apply or attach to shares that may be issued or sold for the purchase of the business or outstanding shares of any other bank.

Exchange Firms Assn. Appoint James Scott

The Association of Stock Exchange Firms announces that James H. Scott of Scott & Stringfellow, Richmond, Virginia, has been appointed a Governor of the Association to complete the unexpired term of his partner Walter S. Robertson. Mr. Robertson, a Governor since 1948, has resigned to become Assistant Secretary of State for Far Eastern Affairs.

Large Registration For Texas IBA Meeting

SAN ANTONIO, Tex.—Advance reservations to the May 6-9 meeting of the Texas Group Investment Bankers Association of America indicate that it will be the biggest meeting that group has ever staged.

The western setting of the meeting at Fort Clark Ranch at Brackettville has excited tremendous interest. Brackettville is located between San Antonio and Del Rio.

Among those who have already made reservations are: Ewing T. Boles, President Investment Bankers Association of America and also President of the Ohio Company, Columbus; Murray Hanson, General Counsel I.B.A.; Wallace H. Fulton, Executive Director, National Association of Security Dealers, and Carl Stolle, G. A. Saxton & Co., Inc., New York City, President of the National Association of Security Dealers. Representatives of practically all investment houses, from coast to coast are also included among reservations.

The tempo of the meeting will be strictly informal. Facilities at the ranch include swimming, golf, horseback and bicycle riding, and skeet. On Thursday, May 7, an international treat is planned with a side trip to Ciudad Acuna, Mexico, for a real bull fight, dinner party and a show of typical Mexican entertainment.

The Texas group arranged a price of $75 per person to cover all expenses. While reservations closed on April 21, and accomodations are limited, every attempt will be made to take care of late comers, provided they are cleared in advance. Reservation contacts should be made to Milton Halpern, 729 Milam Building, San Antonio, Texas, who is the Reservations Chairman.

Chicago Street Club Elects Teach Pres.

CHICAGO, Ill.—Gordon Teach, of A. C. Allyn & Co., has been elected President of The Street Club for its 1953-54 year, succeeding Scott Davis, of Paul H. Davis & Co. Other new officers are Bruce Simpson, of Webber-Simpson & Co., Secretary and Richard Durkes, of American National Bank & Trust Company of Chicago, Treasurer. Elected Directors were Donald McCotter and William Strasser, both with Lee Higginson Corporation, Charles Black, with Farwell, Chapman & Co., Henry Gardner, with Continental Illinois National Bank & Trust Company, Scott Davis and Robert Sanders, of Harris, Hall & Company.

From Washington Ahead of the News

By CARLISLE BARGERON

Two more matters pending in Congress are likely to create the picture that the President gets along better with the Democrats than he does with members of his own party. There was the spectacle over the fight on the confirmation of "Chip" Bohlen as Ambassador to Russia. The Democrats sat back and had the time of their lives while the Republicans fought it out. Bohlen was one of the Democrats, he had been a part of the Acheson State Department team; furthermore he had been with Roosevelt at the infamous Yalta meeting. You couldn't expect the Democrats to object to him on these grounds; on the other hand, you could understand why his nomination was objectionable to the Republicans.

Carlisle Bargeron

Now, we have a fight coming up on the extension of the Reciprocal Trade Agreements Act which expires June 30. There is little or no doubt that its extension will be voted but there is serious doubt that it will be done to the President's liking. Many Republicans want to tighten up its "free trade" provisions. You will hear a lot in the next few weeks about the "mossback Republican reactionaries who don't realize that the world has moved on." Inasmuch as the reciprocal trade act is the baby of Cordell Hull —he devoted practically all of his political life to it—the Democrats will be found fighting shoulder to shoulder with Eisenhower against any material change.

The other matter which will picture the Democrats supporting the President, and a majority of the Republicans, at least, opposing him, is his recommendation just sent to Congress for revision of the McCarran-Walter immigration act. This will not present such a clear picture of the political division because this act was originally passed with a two-thirds vote over the veto of President Truman and a majority of the Democrats as well as Republicans are against any material changes. But for political purposes the Democrats will keep fairly quiet during the debate, while the so-called liberals of their party will shout to the skies about supporting the President. This will really be a fight between the President and "liberals" on one side and the conservatives of both parties on the other. But the "liberals" being as vociferous and agile as they are will put the burden of opposition on the Republicans. However, this fight may be postponed until the next session as there seems to be a tendency, at least in the Senate, to let the President's recommendation lie in the committee hopper for a while.

This anomaly of the opposition to the President seeming to come mostly from his own party is due to the fact that Eisenhower is not politically minded, that is, not in a party sense. The feeling is growing in political Washington that he doesn't care where he gets his support from. In this connection it is noteworthy that he has entertained and cultivated the Democrats just as much as he has the Republicans. There is some feeling, indeed, that his detachment from partisan politics would cause him not to be the slightest upset were the Democrats to regain control of the House in 1954, something they may easily do. Those who have this understanding of him believe he would be just as happy working with a Democratic controlled House as a Republican controlled one. Heretofore, it has been considered a serious handicap for a President to have either House of Congress in the opposition hands. But things are changing in this world—and how.

Insofar as the forthcoming tariff fight is concerned, the President will undoubtedly be on the popular side. Regardless of the merits, it takes a bold and hearty person in these times to suggest any tightening of trade restrictions. We are living generally in a "free trade" atmosphere. The country has been thoroughly propagandized in recent years that we can't hope to sell abroad unless we buy abroad. Editors and commentators speak glibly of the "dollar gap" without in many instances knowing what they are talking about. The most ridiculous piece of propaganda I have seen recently on "world trade" was the pamphlet put out by the bright minds of the State Department. It depicted a once happy family sitting around the fireside unable to smoke their cigarettes, or at least finding them unpalatable, because an ingredient which comes from abroad was unavailable; neither could they listen to their radio because an item of it also comes from abroad. World trade, for the purpose of the pamphlet, had been cut off. There was no hint that it was just as necessary, if not more so, for the foreign nations to find a market for their goods as it was for us to get theirs. The whole burden of world trade is upon us. We must spoon-feed the nations of the world, keep them as growing concerns, in order that they will be able to supply the many extras which we need to maintain our high living standards. So the story goes.

World trade has always been essential to the livelihoods of those engaged in importing and exporting, of course. But another vested interest is growing by leaps and bounds in our country. It is composed of the bright minds who are selling the chambers of commerce that world trade is the coming thing and they must have a world trade department to deal with it.

There may be a great future in this business of world trade but I don't see it. I saw some figures recently that in 1929 exports and imports of ocean borne commerce totaled 92,238,000 long tons; 77,878,000 in 1939 and 127,706,000 tons in 1949, a maximum difference over the 20-year period of only about 10%. And certainly for the past 15 or so years we have largely subsidized our world trade.

Public Utility Securities

By OWEN ELY

The Outlook for Utility Stocks

Utility stocks made a better showing percentagewise than rails and industrials up to March 25 of this year. While they declined along with other groups after "the Ides of March" the Dow Utility Average dipped only slightly below the January level. A few days ago, however, utilities began to make a poor showing and their decline during the week of April 17-24 was about equal to that shown by the industrial and rail groups. In fact, on April 24 the utility average continued its decline while the other two groups rallied modestly.

Why this change of pace? The answer may be due to several factors:

(1) There have been a number of new stock offerings over the past month or so, most of them with rights to stockholders; the list included several of the Southern "growth" companies, whose stocks had become somewhat over-popular in earlier trading and hence were moderately vulnerable.

(2) United Corporation's large block of Niagara Mohawk recently became available for sale (under an SEC directive, to release United from its holding company status); there may have been some switching from other utilities into this issue.

(3) "Trus" Hyde, well-known utility analyst and a partner of Josephthal & Co., 120 Broadway, New York 5, again took a bearish position.

(4) A speaker before the New York Society of Security Analysts, Major Flagg of the New Jersey Board of Public Utility Commissioners, suggested that utility earnings are now more vulnerable to a depression than they were in 1932. It is understood that one of the recent talks before the Federation of Security Analysts Societies at Philadelphia was also on the bearish side.

Mr. Hyde, in his mid-April Bulletin, pointed out that utility stocks had recently reached a new postwar high, nearly 8% above the 1946 peak, with the average yield declining to 5% at a time when interest rates are rapidly rising. Thus the spread between yields on preferred and common stocks has considerably narrowed. Much of the demand for utility common stocks has reflected buying by institutional-type investors who obtain an 85% exemption on dividend income and these buyers are not especially interested in preferred stocks or bonds. However, utility issues were in a vulnerable position marketwise when this buying interest dried up. Mr. Hyde believes "that the long term cyclical uptrend which started in 1948 has come to an end . . . (and that) individuals . . . should give consideration to switching into municipal and other tax-exempt bonds which have declined to a level where they afford favorable comparative net yields."

It is hard to appraise Mr. Hyde's argument without knowing the motivation of the average buyer of utility stocks. In the past, the desire for price appreciation has probably matched or exceeded the desire for a good income. At times in the past, as in 1929, 1933, 1936 and 1946 yields on utility common stocks (Standard & Poor's Index) exceeded the yields on representative industrial and utility preferred stocks. In fact, in 1929 conditions were so topsy-turvy that equity yields dropped to as low as 2.3%, while municipal bonds yielded about 4.3%, and the rediscount rate reached 5%.

Appreciation prospects for utilities seem dependent on the trend of earnings and dividends, particularly the latter. Current earnings trends remain favorable, with many substantial gains over last year, and dividends are still rising (Consumers Power recently raised its rate). Moreover, many individuals are not attracted to municipal bonds because of the poor marketability of most issues offering high yields. In the writer's opinion, the recent drop in utilities reflected largely a correction of the excessive gains in so-called "growth" issues. The rest of the utility list seems to have behaved reasonably well in the face of recent heavy subscription offerings and the selling in industrials and rails.

Harold Young, at a talk before the New York Analysts Society, recently upheld the favorable side of the argument for utility stocks. Having visited over 100 utilities in 47 states during recent years, Mr. Young should be familiar with the overall picture. He stated that while in some cases construction activities are now less feverish, most utility men are still preparing for more and more business, since they feel that they must keep ahead of demands in their area which continue to grow impressively.

There is an increase in home building all across the country. General Electric Company expects an increase in the nation's population of almost 2 million a year and electrically-wired homes should increase about 1 million a year. With increased per capita earnings and other social changes, electric appliances are becoming more and more important in day-to-day living. The saturation of major appliances has "only just begun", and even where it is fairly complete as with refrigerators, improved designs are expected to keep demand fairly high. The number of major appliances in use today average only about 2.2 per home, and GE thinks this could rise to 3.4. Sales of air-conditioning equipment are rapidly expanding both in homes and commercial establishments; and once installed, appliances are seldom removed. In the industrial section the use of labor-saving equipment means a substantial gain in the use of electricity.

Mr. Young pointed out that pension funds, insurance companies, investment trusts, mutual funds and other large buyers have continuing amounts of income to invest in the market, and utility stocks are among their favorites. Moreover, investors within the service areas of utility companies frequently buy local utility stocks as long-term investments. However, he expressed preference for utilities with relatively high yields and low price-earnings ratios, as well as issues where there are prospects for higher dividends in due course, and he suggested avoiding issues which have gained too large a market following.

Arnold Mgr of NY Office for Graham

Graham & Company of Pittsburgh, Pa., have opened a branch office at 70 Wall Street, New York, N. Y., under the Management of George J. Arnold. Mr. Arnold has been engaged in the origination and wholesale distribution of securities for many years.

George J. Arnold

N. Y. Municipal Bond Club to Hold Field Day

The Municipal Bond Club of New York will hold its annual outing June 12 at the Westchester Country Club and Beach Club at Rye, N. Y. David H. Callaway, Jr., First of Michigan Corporation, is General Chairman.

S. A. Sandeen on Trip To Sweden

ROCKFORD, Ill. — Mr. S. A. Sandeen, proprietor of S. A. Sandeen & Co., has accepted an invitation to accompany the Swedish Glee Club of Chicago under the direction of Harry T. Carlson on a concert tour of Sweden. The Swedish Glee Club is a famous organization and has been organized for over 60 years. The Club sang last July at the Republican Convention in Chicago. The Club will sing 21 concerts in various localities in Sweden. It is one of the most ambitious and colorful undertakings by any chorus on a Sweden concert tour. Mr. Sandeen will leave May 7 and expects to be back to the office on June 23.

Stuebner and Low Directors

Erwin A. Stuebner, Chicago investment banker, and E. Herrick Low, New York banking executive, have been elected to the Board of Directors of American Investment Company of Illinois, Donald L. Barnes, President announced. Mr. Stuebner is Managing Partner of the Chicago office of Kidder, Peabody & Co. Mr. Low is First Vice-President and a Director of the Corn Exchange Bank Trust Company, New York City.

With Dean Witter & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — James M. Lynch is now affiliated with Dean Witter & Co., Equitable Building.

Is Inflation in Britain Curbed?

By PAUL EINZIG

Dr. Einzig, contending new British Budget is not disinflationary in character, maintains inflation in Britain has not been stopped, despite remarkably stable cost-of-living index. Says additional purchasing power released through tax concessions will tend to accentuate inflation trend. Foresees, however, rearmament termination leading to downward trend in commodity prices.

LONDON, Eng.—On April 14 Mr. Butler, British Chancellor of the Exchequer, presented to the House of Commons his Budget for 1953-54. He announced a number of substantial tax reductions in spite of the fact that as a result the budgetary deficit will increase materially. He based his policy on the contention that the 4% bank rate and other anti-inflationary devices had brought inflation to an end. He also assumed that production and exports would be more than maintained during the year, especially as the taxation relief would provide an incentive that would assist the economy in that direction.

Dr. Paul Einzig

There can be little doubt that Mr. Butler's budget, if not very inflationary, is certainly not disinflationary in its character. Indeed it is liable to reverse the disinflationary measures taken last year. Even those measures were not nearly as effective in checking inflation as Mr. Butler claims them to be. They failed to prevent a further expansion of bank deposits and the note circulation. The wages spiral continues to rise unabated. While the cost of living index has been remarkably stable since the middle of last year, the cost of living itself has been rising. Which means that it is mainly those items of the cost of living which are not included in the calculation in the index that have been going up.

It is true, losses of wages through unemployment and the reduction of overtime tended to curtail purchasing power. On the other hand this was more than offset by the increase of basic wage rates as a result of which the total amount paid out in wages continued to rise. It is difficult to see in the circumstances how anyone can claim that inflation in Britain has stopped. And there can be little doubt that the additional purchasing power released through tax concessions will tend to accentuate the trend.

Mr. Butler hopes that the beneficiaries under his tax concessions would use the additional money that is left to them for increasing their savings. No doubt some of them will act in the way the Chancellor expects them to act. It would be unduly optimistic to assume, however, that the overwhelming majority of the taxpayers would do so. Indeed the chances are that the majority will increase their spending. This would mean that less goods would be available for exports and prices would not tend to decline sufficiently to encourage export.

Notwithstanding all this Mr. Butler was right, even though he was right for the wrong reason. There is no justification for his assumption that the tax concessions will not increase consumers' demand, and it is evidently a wrong thing to increase that demand at a time when the balance of payment is only very precariously balanced. The reason why he is none the less right is that at this particular moment the last thing we need is disinflation. Until a few weeks ago it would have been Mr. Butler's duty to continue to disinflate and to do so much more effectively than last year. In the meantime, however, the situation has undergone a fundamental change owing to the development of a possibility of an international political understanding.

There can be no doubt that a termination of the rearmament race would result in a heavy downward trend in the commodity markets and would set into motion a deflationary spiral. Even the anticipation of an understanding between East and West is liable to produce such effects. We had already a foretaste of it when the very insignificant gestures made from Moscow and Peking were followed by a sharp decline in strategic raw material prices and in Stock Exchange values. It is of course by no means certain that President Eisenhower's historical announcement on April 16, setting out the terms on which the United States would be prepared to conclude an understanding, will lead to the desired result. Nevertheless, there is a possibility. Even in case of a negative result it would take many months before the hopes aroused by this statement would prove to be unfounded. In the meantime these hopes are liable to produce a psychological atmosphere in which a deflationary slump might easily develop on a world-wide scale.

It cannot be emphasized sufficiently that the prevention of such a slump is a matter of the utmost importance. While we must all hope and pray for the success of the attempt at ending the cold war and the rearmament race, at the same time we must all do our utmost to prevent the success of that attempt or even its anticipation from bringing about economic disaster. We must avoid anything that is liable to bring on the slump or accentuate it.

Until a few weeks ago the pursuance of a strongly disinflationary policy appeared to be the correct line. Today such a policy would be highly dangerous. It is true it is no less important today than it was a few weeks ago to check the inflationary trend. In the meantime, however, the danger of a deflation has overshadowed that of inflation. The disadvantages of a continued moderate inflation would be negligible compared with those of a deflationary slump. Deplorable as it would be to have to allow inflation to proceed, the insurance premium represented by its disadvantages is well worth paying for the sake of reducing the danger of a deflation.

Mr. Butler was right. The moderately inflationary character of his tax concessions will go some way towards lessening the dangers of getting into a deflationary spiral. Once such a spiral has set in it might not be easy to take timely measures to reverse the trend. On the other hand so long as the slightly inflationary atmosphere is maintained there is less likelihood for the development of a dangerous deflation. Possibly the factors making for deflation might offset Mr. Butler's budgetary inflation. They might even go further. Nevertheless, the existence of an inflationary undertone is bound to moderate the deflationary trend even if it cannot be prevented altogether. Quite conceivably the dose of inflation administered by Mr. Butler's budget will make all the difference between a moderate setback and a vicious slump.

Should the peace feelers prove to be abortive even before they could set into motion deflation on a substantial scale, it would mean that the slightly inflationary character of Mr. Butler's budget would aggravate Britain's task of maintaining the equilibrium of a balance of payments. It would mean a setback in the government's effort to consolidate Britain's economy. Even so Mr. Butler would have been justified in his choice of policy. So long as there is a possibility of a peace slump the mitigation of its effects must be the foremost task in the Chancellor's mind. Nobody can possibly foresee the results of the peace attempts and Mr. Butler is right in allowing for the possibility of their success. Whether or not he is taking the necessary line for the right reason is immaterial so long as he is doing the right thing.

Shaver & Co. Admits New Partners

ST. PETERSBURG, Fla.—Stanley C. Shaver has admitted Joseph N. Wheeler, Jr., W. Morgan Powell and Stanley C. Shaver, Jr. to partnership in Shaver & Co., Florida Theatre Building. All have been associated with the firm.

Gallagher-Roach Formed

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Robert J. Gallagher and Clement W. Roach have formed Gallagher-Roach and Company to engage in a securities business from offices at 209 South High Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Rising interest rates continue to dominate the money market and the interest of bank stock investors.

The most important action during the past week and one focusing attention on the banks at this time, was the increase in the prime loan rate at New York City banks to 3¼% from 3%.

This is the first increase in the rate charged on loans to borrowers with the highest credit rating since December, 1951. During that year the rate was increased three times. In spite of the upward pressure on all other money rates since that time, the official prime rate was not changed until this week.

The increase means a general upward revision on all other commercial rates as less well known names and risks are graduated upward from the prime rate. It has been well known that the tight money market over the past nine months was forcing most of the banks to downgrade some of the borrowers who formerly had obtained funds at the most favorable rate. This in effect was an increase in rates except for the very best names. For this reason there was some expectation that an official increase in the rate would not be made. Now, however, all borrowers will have to pay a higher rate.

Possibly the most significant part of the action is its timing.

Normally increases in bank rates are made in the latter part of the year when the demand for loans and credit are in a seasonal expansion. The first six months of the year are generally a period of seasonal decline and liquidation of loans when retailers are repaying borrowings from the Christmas trade.

The pattern this year, however, has been different. Although loans at the year-end were at a record high, the decline so far in 1953 has been negligible. In fact a number of the large New York banks have shown increases in outstanding loans since the end of the year. For the group as a whole business loans last week totaled $8,625,000,000. This figure was only $49 million below the $8,674,000,000 outstanding on Dec. 31, 1952. A year ago, business loans at the New York banks were approximately $250 million below the earlier year-end figure.

The large demands for bank accommodations this year reflects the continuing need of corporations for funds to finance the large volume of current business. Cash requirements are generally greater than a year ago because of several factors.

In the first place, corporations are required to pay 40% of their Federal income tax liability in each of the first two quarters and 20% in each of the last two quarters. Obviously this puts the pressure on cash resources in the early months and has undoubtedly been one of the factors responsible for the high loan volume so far.

Also many companies are engaged in large expansion programs requiring expenditures in excess of the funds generated in the normal course of business. This has necessitated outside borrowing which, because of the condition of the money market, in some cases has been diverted to the banks rather than long term capital flotations.

The increase in the prime rate at this time indicates that there is little expectation of a liquidation of loans in coming months. Rather the reverse would seem to be true.

For the banks it means a continuance of the trend towards a higher rate of return on earning assets. As most of the major banks are "loaned up" it will be difficult to show much expansion in borrowings except that the trend of deposits is reversed from the downward course of the last several months. However, maturing loans can be renewed at the higher rates and investments can be made at the higher yields currently prevailing on governments and municipals.

In view of the shortage of loanable funds and the circumstances under which the rate increase was made, the effect on bank earnings will not be immediate. Operating income which has been in a strong upward trend for over two years, however, should continue to reflect the improved banking conditions.

F. V. Devoll, Jr. With Republic Inv. Co.

F. V. Devoll, Jr.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Frederick V. Devoll, Jr. has become associated with Republic Investment Company, Inc., 231 South La Salle Street. Mr. Devoll was previously with Henry B. Warner & Co. of Philadelphia.

Fedders-Quigan Stock All Subscribed For

Allen & Company, New York, representatives of the underwriters of 41,338 shares of 5½% cumulative preferred stock, 1953 series, of Fedders-Quigan Corp., stated that it had been advised by Fedders-Quigan Corp. that all the shares which were offered to the stockholders at par ($50 per share) pursuant to subscription warrants were subscribed for during the period of the subscription offer, which terminated April 23, 1953.

$75,000,000 Issue of Maine Turnpike Bds. Immediate Success

Tripp & Co., Inc. of New York, and Stifel, Nicolaus & Co., Inc., of Chicago and St. Louis, managers of the offering of $75,000,000 Maine Turnpike Authority revenue bonds, which was marketed on Friday, April 24, announced on the following Tuesday (April 28) that the issue met with immediate success and that all bonds were sold out of the account the first day.

An active trading market is being maintained in the bonds, which bear an interest rate of 4%, free from present Federal income taxes, managers of the syndicate stated.

One of the largest turnpike revenue bond issues ever sold, financing was handled by a group of 237 investment banking houses throughout the country.

The bonds were offered at par and are payable from the tolls and other revenues of both the existing and the new Turnpike which is expected to be opened for traffic by June 1, 1955. Interest on the bonds is exempt, in the opinion of counsel, from all present Federal income taxes.

Proceeds from the sale of the new issue will be used to retire the $19,794,000 principal amount of bonds outstanding on the existing 44-mile Maine Turnpike, and to cover the cost of constructing a nine-mile Portland By-Pass and spur to U. S. Route 1 and a new 57-mile extension to Augusta, the state capital.

The present Turnpike was opened to traffic in 1947 and for the past five years traffic and earnings have been considerably in excess of engineers' estimates. Coverdale and Colpitts, nationally known traffic engineers, have estimated that the net revenue from the new Maine Turnpike will be sufficient to cover all payments as to principal and interest on the issue approximately 1.78 times. For the protection of the bondholders, an interest reserve of two years' interest will be set up exceeding $5 million, in addition to substantial maintenance and operating reserves.

The new construction will follow the style and character of the present Maine Turnpike which has become known as one of the safest and most modern superhighways in the country. The over-all length of the new integrated Turnpike will be about 110 miles as a result of the new extension. Approximately 98% of the area of Maine containing approximately 80% of the state's population lies north of Portland.

Among other members of the underwriting group were: R. W. Pressprich & Co.; F. S. Moseley & Co.; Blair, Rollins & Co., Incorporated; Bear, Stearns & Co.; Union Securities Corporation; C. J. Devine & Co.; Salomon Bros. & Hutzler; Phelps, Fenn & Co., and A. C. Allyn and Company Incorporated.

The Treasury's Fraudulent Valuation of Silver

By REAR ADMIRAL DONALD J. RAMSEY U.S.N. (Ret.)*
Legislative Counsel, Silver Users Association

Stating "the requirement that the Treasury must value silver at $1.29 per ounce when it is worth only $.85¼ is a fraud," Admiral Ramsey advocates repeal of the silver purchase laws which permit this fraud, despite opposition of the silver producers. Says purpose of Silver Purchase Act of 1934 was to raise price of silver to $1.29 an ounce but it has failed to do this. Denies Mexico, as foremost silver producer, can control market or that Treasury actually profits from silver purchases.

In 1896 William Jennings Bryan, one of the great silver advocates in our history, made this statement: "You shall not crucify mankind upon a cross of gold."

Donald J. Ramsey

In 1953 it could be well said that mankind shall not be crucified upon a cross of silver.

In the past, silver has been referred to as the metal of the common man. Yet the same interests who have advocated this theory are now trying to take silver away from the common man.

Senator McCarran, in an article published in the Feb. 1953 issue of the "Mining Congress Journal," stated:

"When 'free' silver is no longer available for industrial uses and silver in the open market becomes insufficient to meet these needs, industry will still be able to purchase silver from the Treasury at $1.29 an ounce, the monetary value at which silver dollars and silver certificates are placed in circulation. This fact should give comfort to the large consumers of silver in the United States, and the payment of this amount by the Treasury to the domestic miner for his newly mined silver would enable him to continue to produce this much needed and vitally important metal."

This would be of little comfort to the young women of America who cherish the hopes of owning silver items and to the millions of others who find silver indispensable.

The users of silver should find little comfort in the privilege of purchasing silver from the Treasury at $1.29 per ounce—an increase of about 51% over the present market price of 85¼ cents per ounce. At the same time they may be a little angry if the Treasury is forced to pay the miner $1.29 per ounce—an increase of 43% over the present subsidy price of 90½ cents.

The manufacturers of photographic materials, electrical equipment, silverware, dental supplies, medicines, jewelry, mirrors and many other products, consumed 95 million ounces of silver during 1952. Yet nearly 100% of the silver produced in the United States was buried in the Treasury's vaults—most of it to lie idle and useless.

The Treasury's Silver Policy

During the past five years I have tried to point out the situation existing as a result of the Silver Purchase Laws. The result we are most concerned with today concerns domestic silver and its valuation by the United States Treasury.

The Treasury today must accept all domestic produced silver offered within one year and pay 90½ cents per ounce for such silver. This silver is paid for by printing and issuing paper dollars. At the rate of 90½ cents per ounce, a miner receives one paper dollar ($1.00) for 1.105 ounces. The law requires .773 ounce to be set aside to back each paper dollar issued. The law also says this amount shall be valued at the rate of $1.29 per ounce. The remainder of the 1.105 ounces—or .332 ounce—is called seigniorage and can be taken as profit and spent by the government. The insidious part about this operation is the fact that silver is not worth $1.29 anywhere in the world. Today it is worth 85¼ cents. Senator McCarran and the silver producing interests can talk until they are blue in the face about the "monetary value" of silver being $1.29 per ounce—the actual value of silver is 85¼ cents today. That is what people will pay for it—and even this value is not guaranteed by the government. The Treasury must value on its books—as an asset—1,860,000,000 ounces of silver at approximately $2,400,000,000 when today in the open market it would bring $1,585,000,000. The important thing to remember is that the government does not guarantee any price for silver. The requirement that the Treasury must value silver at $1.29 per ounce when it is worth only 85¼ cents is a fraud. This fraudulent valuation permits the Treasury to make a so-called profit in the transaction which I will explain.

At the Treasury buying price of 90½ cents, $1.00 is paid for 1.105 ounces. The law specifies the amount of silver which must be set aside to back each paper dollar, .773 ounce. This leaves .332 ounce which is called profit. Is it? Let us look at it. The .773 ounce valued by law at the rate of $1.29 per ounce which today is actually worth 85¼ cents per ounce, so, instead of $1.00 worth of silver back of your dollar you have 66 cents worth. Even if you put the entire amount of 1.105 ounces back of the dollar which purchased it, you would have only 1.105 times 85 cents, or 94 cents worth of silver. You can thus see that the profit is a phony—it is taken at the expense of the backing behind your dollar.

Senator Magnuson, in a letter to the "Wall Street Journal," Feb. 24, 1953, stated: "The acquisition of silver by the United States is probably its most lucrative enterprise."

Abolition of Silver Purchase Act Recommended

It has been suggested that it would be more lucrative to just print paper money and spend it.

In 1950 the Treasury Department officially took the position that it would not object to the enactment of legislation repealing these laws. At the same time the Board of Governors of the Federal Reserve System officially stated that enactment of such legislation would be in the public interest. A Congressional Sub-Committee headed by Senator Paul Douglas recommended in 1950 that the government cease buying silver for monetary purposes. The Sub-Committee had this to say about the monetary policy relative to silver:

"It is unnecessary. . . .

"The silver purchase program is a net expense to the government. . . .

"The Treasury must buy all silver offered to it and issue new money at all times, during inflation as well as under other conditions. Not only is the Treasury prevented from selling silver freely in order to exert an anti-inflationary effect, it is not even permitted to cease these expansionary purchases in the midst of inflation. . . .

"Even as a subsidy program, it it defective. It grants aid to producers without any test as to whether aid is needed, it finances te aid during all phases of the business cycle in the most expansionary way possible, and it locks up the subsidized production in the monetary system and makes it unavailable for industrial, artistic, and other uses."

However, no action was taken by the Congress. Now, with a change of Administration, we may very well expect action in the near future. I should like to quote from the 1952 platform of the Republican Party:

"Further inflation must be and can be prevented. Sound tax and monetary policies are essential to this end. . . .

"We advocate the following monetary policies:

"(1) A Federal Reserve System exercising its functions in the money and credit system without pressure for political purposes from the Treasury or the White House.

"(2) To restore a domestic economy, and to use our influence for a world economy, of such stability as will permit the realization of our aim of a dollar on a fully-convertible gold basis."

Today the Treasury prints and issues paper dollars backed by .773 ounce of silver worth 66 cents in the market. The Treasury pays 70 cents for it and values it on its books as an asset worth $1.00.

The difference between the 70 cents paid and the book value $1.00 is considered profit and can be so spent by the Treasury.

The difference between the market value of 66 cents and the 70 cents paid the producer for silver is a subsidy.

The difference between 66 cents and the book value $1.00—34 cents—is what you would lose if you turned in your paper dollar for the .773 ounce of silver backing it, and then sold the silver for what it is worth on the market.

Attitude of the Silver Producers

The Silver Purchase Laws which permit this fraud on the people must be repealed. However, the silver producing interests will not give up without a fight. Senator McCarran, in an article published in the February, 1953 issue of the "Mining Congress Journal," states: "I am not only opposed to the repeal of existing silver statutes, but will exert every effort to improve the position of silver whenever an opportunity is afforded."

This is the same Senator who in 1947 proudly reported to the annual convention of the Colorado Mining Association that he and his silver brethern had raised the Treasury buying price for silver from 71.11 cents per ounce to 90½ cents by, "successfully conducting the most arduous filibuster in history."

Senator McCarran also indicated that he was confident the price paid the domestic miner for his silver would be, "restored to the monetary value of $1.29 per fine ounce."

The silver producing interests from time to time speak of the miner as being entitled to this monetary value. Such statements are based on the premise that we are on a silver standard as well as gold. We are not; therefore, no one is entitled to this value.

The silver users are very sympathetic with the problems of the silver miners, but do not feel that anyone should profit at the expense of our monetary system.

We know that silver plays an important part in our monetary system. It has a proper use in subsidiary coins such as dimes, quarters and half-dollars, and, during the past war, due to a shortage of nickel, it was used to make nickels. But there its usefulness ends. Unfortunately, this is not the end of silver in our monetary system.

The Gold Standard

In 1900 a law was passed putting this country on the gold standard. Possibly now, it should be called a modified gold standard, because you are not permitted to own gold. But our standard money is still the gold dollar. During the latter part of the last century, the silver interests attemped unsuccessfully to have our monetary system put on a double standard of gold and silver, which is called bimetallism. The Gold Standard Law of 1900 was supposed to end bimetallism. The silver interests continued, however, to work for the double standard. And finally, in 1934, they succeeded in having a law passed which gave pretense to a double standard. This law defined the monetary value of silver as $1.29 per ounce. Most people wonder what this figure means. It is very simply explained, in that if silver is worth $1.29 per ounce in the world market, the amount of silver required by law to coin into a silver dollar, .773 ounces, is worth $1.00 in gold money. And if silver were actually worth $1.29 and could be kept at that figure throughout the world, we would, in effect, have a double standard, or bimetallism. This is not the time to go into the advantages and disadvantages of bimetallism. I am simply going to point out that it has been tried by various countries in the world and rejected as impractical. The primary reason for its failure is the fact that silver cannot be kept at the value of $1.29 per ounce. Silver is worth only 85¼ cents per ounce in the open market, but the Treasury by law pays 90½ cents to producers. Congress can legislate the value of silver, just as it could legislate the value of glass or coffee but the actual value would be only what people would be willing to pay for it.

The Silver Purchase Laws of 1934 were passed in an effort to force the price of silver up to $1.29 per ounce. Although billions of ounces of silver were purchased by the Treasury under this law, the plan failed. In fact, the Secretary of the Treasury finally stopped purchasing silver under this law.

In 1939, after unsuccessfully trying to force the Treasury to buy all the silver in the world, the silver producing interests succeeded in passing a law requiring the Treasury to purchase domestic silver, again with the pretense of a double standard. This law was amended in 1946 and I have described how these laws operate today.

The important point to remember is that we are on a gold standard, and you are guaranteed $35 an ounce for your gold. The United States miner can get 90½ cents an ounce at the Treasury for his silver, but elsewhere in the world he can get only the prevailing market price which today is 85¼ cents an ounce. Despite this fact, the Treasury is forced to carry silver on its books as worth $1.29 an ounce. It is interesting to note that until fairly recently the Treasury, under the Silver Purchase Laws of 1934, offered to buy silver from Mexico and Canada at 35 cents an ounce.

The effects of these Silver Purchase Laws are of special significance at this time because of certain factors affecting the supply of silver to the market. Practically all of the domestic silver goes to the Treasury because of the present 5 cents an ounce subsidy it pays to the producers. Mexico, which is the largest producer for silver, controls the open market for silver by regulating the supply to the market and buying in the market as necessary to maintain the desired price. Let me quote a statement made in January, 1950, by the general manager of the Sunshine Mining Company:

"Mexico, the number one silver producer, is doing a very good job in stabilizing the market for its product. . . . The Mexican Government maintains an office in New York which buys up excess world silver and sells when the demand is heavy."

Let me further quote from a statement by Francis H. Brownell, former Chairman of the American Smelting and Refining Company:

"The United States production is always sold to the government whenever the outside market price is less than 90½ cents. The nation producing the most silver is Mexico, and for the last three years Mexico has been able to stabilize the price by withdrawing and itself purchasing the Mexican production of silver whenever the price drops below some point which it determines. This, during the last three years, has been close to 70 cents. Then, when demand comes back or increases, Mexico has been able to sell its accumulation at more than 70 cents. This Mexican action has effectively steadied the price within a few cents of 70 cents per ounce. There is every reason to believe that Mexico will continue this policy as long as the United States production is not sold on the open market. The various taxes on silver are very important to the Mexican Government. They vary up and down with the silver price. Mexico has apparently decided that a price in the early 70s (cents per ounce) is the most feasible under present conditions. She probably can maintain that price level so long as consumer demand requires some Mexican silver, while United States production is all sold to the United States Government at 90½ cents per ounce.

"But if the Silver Purchase Laws are repealed and the United States production comes back on the open market, it will be impossible for Mexico to steady the price, and the wild prices heretofore described will prevail."

In other words, Mr. Brownell admits that if the Silver Purchase Laws were repealed a free and open market for silver would result and Mexico, a foreign country, would be unable to control the price of silver. In a free and open market unfettered by manipulation and control, the silver users have no fear of the price which would result from the United States production coming into the open market.

Fortunately, for all of us, supplies of silver from other sources have reached the market in such quantities that it has not been possible, to date, for the Mexicans to run the market price above 90½ cents. They probably could do so whenever they desired except for one stumbling block, the "free silver" in the Treasury referred to by Senator McCarren. The silver is available to industry at 91 cents per ounce. This silver is that part of domestic silver which the Treasury does not set aside to back the paper dollars it issues. It now amounts to approximately 73,000,000 ounces. The Treasury is using this silver to make subsidiary coins and last year used about 56,000,000 ounces. Silver is currently being added

*An address by Admiral Ramsey before the Mirror Manufacturers' Association, Chicago, Ill., April 17, 1953.

to this supply of "free silver" at the rate of 13,000,000 ounces a year. At the rate the Treasury is making subsidiary coins, it would be used up in about 18 months. The silver producing interests are eagerly anticipating the day when this supply is gone—because then there will be none left to sell to industry. However, if domestic silver is available in the open market the need for this "free silver" vanishes.

Senator McCarren even suggests: "It will soon be incumbent upon the new Administration to establish a policy limiting the remaining amount of silver available from this source for industrial purposes."

The silver producing interests down through the years have been using silver as a pretext for doing something for China. The Silver Purchase Law of 1934 drained silver out of China. Today there are indications that the silver producing interests might like to send some silver back to China. Whatever the plan you can be sure it will not be in the interest of the silver users in this country. It will be interesting to see if this plan develops and in what form. We are watching it carefully.

The silver producing interests put forth two arguments for the continuation of the Silver Purchase Laws. The first argument is that the domestic miners need 90½ cents or more for silver to enable them to produce silver and the base metals of which silver is a by-product. The base metals are copper, lead and zinc.

The argument that the miner needs a subsidy to produce these metals is completely fallacious, as an examination of the annual reports of nearly all of the companies producing these non-ferrous metals will show. Senator McCarran makes an interesting statement about this argument in his article for the "Mining Congress Journal" as follows:

"The domestic production of silver in 1952 declined slightly below that of 1951, due chiefly to the fact that a lower silver content was contained in copper, lead and zinc ores. This trend has been evident for some time and is not likely to change until and unless the price paid the domestic miner for his silver is restored to the monetary value of $1.29 per fine ounce, which I am confident will be accomplished."

Just how Senator McCarran concludes that there will be a higher silver content in copper, lead and zinc ores, if the miner gets a higher price, is rather difficult to comprehend. When the miner takes his ore out of the ground, it contains so much silver; and I doubt that, even in this age of miracles, more silver will appear in the ore just because the miner may get more money for it.

Unbiased economists disagree with McCarran's contention. For example, Dr. Eric W. Zimmerman, graduate professor of Resources at the University of Texas and one of our foremost economists on world trade and resources, stated in his book entitled, "World Resources and Industries":

"The production of by-product silver, on the other hand, is merely a function of the output of the base metal or metals with whose ore silver is associated. Its output tends to fluctuate in response to variations not of the price of silver but of the price of these base metals; their price, in turn, reflects primarily the changes in the general business situation. As industrial activity expands, the demand for copper, zinc, lead, etc. increases, stimulating their output. As a secondary result, silver production likewise increases without regard to the market demand for that metal. It is this severance of the bulk of the silver supply from the demand for silver which, more than any other factor, has brought about the instability of the silver mining industry."

In the 1953 report of Sunshine Mining Company, a major silver producer, there appears this rather remarkable statement:

"The U. S. Treasury continues to profit by paying 90 cents per ounce for silver which has a coinage value of $1.29 per ounce. This margin of 30%, when added to the effect of the high tax rates, gives the Treasury a far bigger interest in the production of your company than is available to stockholders."

The report should further add that the Treasury would not object to giving up this so-called interest in the production of the company in favor of all the people in the country. As previously explained, this so-called profit is made through the phoney valuation of silver at $1.29 per ounce. Incidentally, this company whose stocks are quoted at around $9 a share paid a dividend of 80 cents a share during 1952.

The second argument is that the government makes a profit in the purchase of silver. Senator Magnuson, in a letter to the "Wall Street Journal," says: "The spread between the price the Treasury paid for the silver and $1.29 has been clear profit to our government. The profit that has accrued under the Silver Purchase Act of 1934 is $833,600,000."

This so-called profit was made by valuing silver on the books of the Treasury at $1.29 per ounce—despite the fact its average worth in the market during this period was approximately 45 cents per ounce. Remember that silver is never worth more than it will bring in the market—except on the books of the Treasury.

There seems to be a conflict in interest between Senator McCarran and Senator Magnuson. The so-called profit, which Senator Magnuson says is so lucrative, would disappear if the miner should get the $1.29 per ounce advocated by Senator McCarran.

The time has come for the citizens of this country to exert all their efforts toward the repeal of the Silver Purchase Laws. The Treasury, the Federal Reserve, and everyone who understands the effect of these laws advocate their repeal.

Does your Congressman know about this situation?

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John A. Block and Casimir M. Wojcicki have become connected with Waddell & Reed, 209 South La Salle Street. Mr. Block was previously with Cruttenden & Co.

Joins Ristine in Phila.

PHILADELPHIA, Pa. — F. P. Ristine & Co., members of leading stock exchanges, announce that B. Everett Zelley is now associated with them in their Philadelphia office, 123 South Broad Street.

Railroad Securities

Western Maryland Railway

Western Maryland Railway common and preferred stockholders at long last may be in line for some dividend payments if the present recapitalization plan is approved. The plan, on which hearings will be held before the Interstate Commerec Commission on May 18, would eliminate the arrears on the first $7 preferred which will amount to $126 a first preferred share by July 1, 1953, or some $22 million. Under the proposal, each share of $7 first preferred stock would receive two new shares of $5 first preferred and one-half share of second preferred stock, each full share of which could be convertible into two shares of common stock and $10 in cash. The present second $4 non-cumulative preferred would receive one share of $4 2d pref., convertible into two shares of common stock. Currently, the second preferred is convertible into only one share of common. The common stock would be exchanged share for share into a new common of $10 par value.

The plan also provides for a sinking fund of one-half of 1% of the par ($100) of the 354,840 shares of 5% first preferred to be set aside out of earnings after payment of dividends on that issue. The sinking fund would continue until the amount of the 5% preferred is reduced by 50% and the new second prefererd is reduced to 61,382 shares, part or all of which reduction may have resulted from conversion.

Adoption of the plan would make it possible to pay the required dividend on the new first preferred and the $4 on the second preferred at the total cost of $2,374,568. The latter amount is $109,312 less than the dividend paid on the $7 preferred in 1951 and 1952. To pay also $1 on the common stock there would be required an additional $532,869 or total dividends on all shares of $2,907,436. This would be $432,556 larger than the dividends paid in each of the last two years. A dividend of $2 a share on the common would require total payments of $3,440,304.

The plan is based on company estimates of average annual net income in future normal years equalling or exceeding $5,500,000. Minimum bond sinking fund requirements under the mortgage at this income level would amount to $850,000. Minimum cash requirements from these earnings for capital expenditures have been placed at approximately $1,500,000 a year. These deductions would leave a balance for dividends of approximately $3,150,000. On this basis, after first and second preferred dividend requirements, there would be available in the "normal year" for the common stock about $775,000 or $1.45 a share on the initial issue of common. Last year net amounted to $5,750,070.

If all of the $4 second preferred were converted into common stock, it would increase the outstanding common stock from 532,869 shares to 833,052 shares. This full conversion would reduce 1952 per share earnings from the $8 a common share reported to around $5 a share.

Western Maryland's 1953 earnings should compare favorably with those of last year. This carrier has shown better growth than most Eastern carriers. It has benefited from the development of the Port of Baltimore with consequent large shipments of imported iron ore. The road forms a vital link in the shortest rail route from Tideland to the Great Lakes, which moves via the Western Maryland, Pittsburgh & West Virginia, Wheeling & Lake Erie and Nickel Plate.

This carrier has operated profitably for a long period of years. It has managed well and is strong financially, with the major part of its improvements behind it. Physically it is in excellent condition and is about 50% dieselized.

George T. Grady, V.-P. Cinc. Mun. Bond Corp.

George T. Grady

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—George T. Grady has become associated with the Cincinnati Municipal Bond Corporation, Atlas National Bank Building, as Vice-President. Mr. Grady was formerly with Geo. Eustis & Co. as Manager of the Municipal Department.

A. R. Yeatts, Jr. With E. W. Smith Co.

PHILADELPHIA, Pa. — Albert R. Yeatts, Jr. has become associated with E. W. Smith Co., Lewis Tower, members of the Philadelphia-Baltimore Stock Exchange. Mr. Yeatts was formerly associated with Geo. N. Fleming & Co.

Davies Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Calvin W. Annino, Sidney J. Arenson, Harold D. Hammett and Jack Overland have been added to the staff of Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Joins Varnedoe, Chisholm

(Special to THE FINANCIAL CHRONICLE)

SAVANNAH, Ga. — Harry H. Lattimore has joined the staff of Varnedoe, Chisholm & Co., Inc., Savannah Bank & Trust Building. He was previously with the Liberty National Bank & Trust Co.

Continued from page 15

Oil and Petrochemicals

dustry began, about 100 years ago, 65% of the gainfully employed were in agriculture, while at present less than 15% are so employed. The use of petroleum products in the present types of farm machinery has been a major factor in the increased efficiency of agricultural operations. The farmer is the best customer of the oil industry, which is vitally interested in the farmer's welfare. Petroleum has contributed not only to the mechanization of farming, but also to the provision of various chemical products such as fertilizers, insecticides, weed killers, and a host of other products which have caused a complete revolution in agricultural methods.

In 1915 there were 26,000,000 horses and mules on our farms. The increasing use of tractors for all types of farm operations has resulted in almost complete elimination of horse-drawn equipment and has drastically reduced the hours of manual labor formerly required. In 1952 the number of horses and mules had been reduced to 6 million, while 4.2 million tractors were being employed in place of 20,000,000 animals for various purposes, such as plowing, harrowing, fertilizing and soil preparation, as well as seeding, cultivating, and harvesting. Substitution of tractors for horses and mules has released much former pasture land for growing crops for human consumption so that we eat better in consequence. Where irrigation is required power is derived from diesel and gas engine driven pumps. The energy derived from oil fuels on farms is estimated at 750 million horsepower, more than the total employed in all other industries. The tractors and trucks owned by farmers consumed over 295 million barrels of gasoline. Besides tractors and trucks, other mechanized equipment on United States farms includes 887,000 combines, 588,000 corn pickers and 686,000 milking machines.

A striking development of the past decade has been the use of airplanes in farming. Originally employed for dusting crops with insecticides, airplanes are now employed for seeding, weed killing, fertilizing, and defoliating operations. At the present time there are about 9,000 specially designed and equipped airplanes in agricultural service. Some 1,800 companies are now being custom work for farmers. The use of helicopters is increasing because of their ability to fly slowly and close to the ground. The labor and time saving by the use of planes is almost past belief. Operations such as rice seeding, cotton dusting, fertilizer application and weed control, which ordinarily require from 30 to 60 man hours of labor per 100 acres can be taken care of in half an hour using airplanes.

The growing petrochemical industry has almost equally great implications on agriculture. Petroleum and natural gas are supplying hydrogen for the manufacture of ammonia, an essential plant food. The ammonia is frequently injected into irrigation waters or it may be made into ammonium nitrate or sulfate and applied dry. Our total ammonia production is now around 2 million tons a year and 75% of this is made using hydrogen from natural gas. By 1960 it is anticipated that annual production of ammonia from natural gas will amount to 3.3 million tons.

Petroleum furnishes hydrocarbons needed in manufacturing such general purpose insecticides as DDT, BHC, Chlordane, and Aldrin. The results obtained by large scale employment of these insecticides are spectacular to say the least. They have rid farm areas of mosquitoes, flies, beetles, and grasshoppers. Invasions of locusts in the Middle East have been completely routed by the use of Aldrin spread from low-flying planes. In one instance, 53,000 acres were completely rid of locust infestation in a short time. There are some 80,000 species of insects in the United States and these may reach concentrations of 15 million per acre of cultivated ground. Annual crop and livestock losses to insects in the United States are around $4 billion. Eventually these losses will be completely eliminated by the systematic use of insecticides. Ridding animals of irritating insects results in more meat and in the case of cows in 20% higher yields of milk. About 130 billion pounds of milk are produced annually in the United States and the 20% increase would be 26 billion pounds if insects were eliminated from cows. Estimates indicate that the annual loss in meat due to insects is around 500 million dollars. In some cases steers have gained 50 extra pounds in weight when kept free from insect irritation. Experiments are in progress involving 10,000,000 range cattle to determine the benefits accruing if the steers are kept free from the annoyance of flies. Proportional weight increases have been noted when the skin of hogs has been greased to prevent insect irritation.

Chemicals based on petroleum are effective against fungi and plant diseases. The vapors of benzene or its dichloro derivatives prevent mildew in young cabbage plants and tobacco seedlings. Crop losses from fungi and other plant diseases are around $4 billion a year so the elimination of these losses is a very worthwhile project.

Chemicals manufactured from petroleum hydrocarbons are also used as fumigants on stored grain and cereals. Among these are ethylene dibromide, methyl bormide, allethrin and nitro paraffins. Another pest which causes catastrophic losses of food in storage is the rats. It has been estimated that the 300 million rats in the United States account for the loss of food per year of $1.25 per person. A rat in a hotel eats $5 worth of food every year. Some of the rat poisons which have been found effective in control measures are based on petroleum products.

Losses in crops due to weeds amount to $5 billion a year. It has been estimated that without weeding only 7 bushels of corn are obtainable per acre of ground where with complete weeding the yield can be 53 bushels. In the field of weed killers, petroleum hydrocarbons are used in the manufacture of the well known 2,4-D and the recently developed 2,4,5-T, which are used as selective herbicides for broad leaf plants. Fractions of petroleum have also been used as sprays to rid carrots of growth-strangling weeds. In some instances weeds are killed by direct burning with oil flames. Present annual expenditures for weed killers are around $35 million.

The soil fumigant D-D is recovered as a by-product in the manufacture of synthetic glycerin. This mixture of chlorinated hydrocarbons is injected into soils infested with wireworms and nematodes. The fumigant not only kills the soil worms but leaves their carcasses as fertilizer. It has been estimated that 2 million acres or 3,000 square miles of farm land in South Eastern United States is in need of soil fumigation before satisfactory crops can be obtained.

With half the world's population on an inadequate diet, the losses in food to insects, plant diseases and weeds seem quite intolerable. Even in the United States where agriculture is on a high technical level, the present loss in crops and meat is about $83 a year per capita, and the total loss is roughly equivalent to the labor of 4,000,000 farm workers.

The petroleum industry is keenly aware of its opportunities for improving the efficiency of farming and livestock raising. The Shell Oil Company has an experimental farm at Modesto, Calif., comprising 142 acres, in which petroleum products are tested on grains, vegetables, vines, and trees. A similar project is being set up in Venezuela.

Other Petrochemical Products

The petrochemical industry has not only made available large new sources of materials on which to base products but has also served as the basis for many new substances to replace dwindling supplies of metals and such natural materials as glass, wood, fibers, leather and ceramics. In many instances, petrochemicals have been the basis for entirely new products that could not be fabricated from natural materials.

The plastics industry is a good example of a gigantic enterprise made possible by this relatively new supply of materials. In 1955, annual production of plastics is expected to reach 4.6 billion pounds, about twice present production, and by 1975 may be a 25 billion pound industry. These products range from large molded parts to paints and other coating materials. Through development of new and improved types, materials are developed to meet the requirements of our constantly changing existence. As an illustration, a 300 pound cast iron bath tub is hardly suitable for use in trailers which have in late years become the permanent homes of millions of Americans. Through the use of laminated plastic glass fibers, tubs weighing only 15 pounds have been made for this use. Another entirely new type product is plastic pipeline. These pipelines have advantages over metallic pipelines in that they are lighter in weight, resistant to corrosive chemicals, acid and alkaline soils, salt water, and vibration, and have high impact strength and flexibility. Plastic pipelines are also a good example of the rapid development of new markets. First coming into commercial use in 1948, they are expected to be a $20 to $30 million market this year and in the $250 million range by 1960.

The development of new synthetic materials in ample quantities also has great import in making our nation self-sufficient. The synthetic rubber industry best illustrates this point. The quantities which are available and the quality of the rubber now being made leaves us independent of imported supplies of natural rubber. This industry is almost entirely dependent upon petrochemicals, 2.50 billion pounds of them being used annually at present.

The non-rayon synthetic textiles, including Nylon, Dacron, Dynel, Acrilan and Orlon, are having many effects on our economy. Last year production was 260 million pounds and when projected plant capacity is completed in 1957, prduction will be about 600 million pounds. These synthetics will then account for almost 10% of the total textile market. Their inherent properties stand to bring about other changes in both textile markets and service industries. They wear longer and are lighter in weight. The optimistic conclusion from these

facts is that man will be better clothed rather than that textile consumption will decrease. Their resistance to wrinkles, moths, and mildew and their fast-drying property dispense with the need for many services. They are a boon to the manufacturer in that he is working with a tailor-made product that does not vary with the quality of crops nor the health of animals as do natural fibers. Colors can be matched in dying nylon rugs whereas wool varies in the color it takes. As with plastics and rubber, the new fibers have made possible products heretofore unknown. The most dramatic of these is the armoured nylon vest which has been credited with reducing chest and abdominal wounds by 60%.

Another major petrochemical market is synthetic detergents. With production beginning only in 1940, the synthetic detergents have taken away about half of the total soap market. Consumption of the detergents increased 21.9% last year while soap declined 9.1%. The importance of synthetic detergents, however, goes far beyond their effect upon the soap industry. These products like fibers, rubber and plastics are tailor-made for specific purposes and improvements are constantly being made.

Petrochemicals also include many of the high-tonnage industrial products such as acetone, alcohols, ethylene glycol (anti-freeze), and formaldehyde which were formerly supplied entirely from other raw materials. The shift in raw materials has been necessary because supplies of the former source materials were inadequate to meet present requirements. The result has been one of stable supplies and, in many instances, lower prices. Over half of the industrial ethyl alcohol, for example, is now petrochemical and is not subject to the fluctuating price nor availability of molasses. The range of products available from petrochemicals varies from methionine, one of the B vitamins, to TNT, and the list is growing. It is reported that 500 new petrochemicals went on the market in a recent 12-month period.

Other factors concerning the oil industry have also had widespread influence on our economy. Its inventions have been applied to other industries. The fluid techniques for handling solids, which was developed in connection with the Fluid Flow Catalytic Cracking Process, has been applied to a wide range of procedures such as the recovery of metal from low grade ores, the manufacture of phthalic anhydride, and the burning of limestone. The oil industry also creates large volume business for other industries. For example, it utilizes one million pounds a day of cracking catalyst alone.

Furthermore, the industry provides employment for two million persons. It pays them higher than average wages and at the same time has kept the price of its products down despite the increasing cost of doing business.

The impact of the oil industry on our economy will be even greater in the years to come. It has the kind of faith in our future that assures continuous progress and achievement.

Bristol Associates Formed

BOSTON, Mass.—Bristol Associates, Inc. has been formed with offices at 10 Post Office Square to engage in a securities business. Officers are S. T. Bourne, Jr., President; Helen F. Mills, Treasurer, and P. C. Reardon.

Union Wire Rope Offer Underwritten

Union Wire Rope Corp. is offering its stockholders rights to subscribe for an aggregate of 50,000 shares of an issue of 100,000 shares of capital stock, at $15 per share, on the basis of one share for each 10 shares held of record April 20, 1953. Transferable subscription warrants evidence the rights to subscribe to the shares, and the warrants and all subscription rights will expire at 3 p.m. (CST) May 8, 1953. F. W. Brooks & Co. Inc., New York, is underwriting the stock offering.

Net proceeds from the sale of the stock will be added to the company's working capital to provide for handling the anticipated increased volume of business which is expected to result from the corporation's recent expansion program. It is expected that initially the net proceeds from the sale of the stock will be used to increase inventories, to carry accounts receivable and for cash working capital.

Union Wire Rope Corp. is engaged primarily in manufacturing high carbon wire, approximately 35% of which is currently used in its own plant to fabricate wire rope and other high carbon wire products sold by it, with the balance sold to other manufacturers. The company's products are used in many industries, including the steel, oil and natural gas, mining, construction and logging industries, as well as in the national defense effort.

Larry Pulliam Is Celebrating May 5

Laurence S. Pulliam, Vice-President of Weeden & Company, Los Angeles, California, is celebrating his birthday on May 5. Mr. Pulliam is an active member of the Security Traders Association of Los Angeles and is a member of the Executive Council of the National Security Traders Association.

Joins Milwaukee Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Mrs. Harriet F. Ruehl is now associated with The Marshall Company, 765 North Water Street.

Smith, Barney Opens Branch in Minneapolis

MINNEAPOLIS, Minn.—Smith, Barney & Co., members of the New York Stock Exchange, are opening a branch office in the Rand Tower under the management of Leonard V. Dayton and Kenneth C. Joas. Both were formerly associated with Ames, Emerich & Co., Inc.

Papadakos Opens Office

Nicholas J. Papadakos is engaging in a securities business from offices at 80 Wall Street, New York City, under the name of 20th Century Pioneer Securities Co.

Thorson Nominated by Midwest Stock Exch.

CHICAGO, Ill.—Reuben Thorson, resident managing partner of Paine, Webber, Jackson & Curtis, has been nominated as Chairman of the Board of Governors of the Midwest Stock Exchange for the ensuing year, it was announced by William A. Fuller, Wm. A. Fuller & Co., Chairman of the Nominating Committee. Mr. Thorson will succeed Homer P. Hargrave, who has served in this capacity since 1947.

Lloyd O. Birchard, partner of Prescott & Co., Cleveland, was nominated for Vice-Chairman of the Board, succeeding Merrill M. Cohen of Minneapolis.

Governors nominated to serve for three years are as follows:

From Chicago: Lyman Barr, Paul H. Davis & Co.; Irving E. Meyerhoff, Freehling, Meyerhoff & Co.; Harry A. Baum, Wayne Hummer & Co. (Mr. Baum is also Chairman of the Chicago Association of Stock Exchange Firms.)

From Cleveland: Herman J. Sheedy, McDonald & Company.

From St. Paul: Fred S. Goth, Irving J. Rice & Co.

From St. Louis: Hunter Breckenridge, McCourtney - Breckenridge & Co.

Members selected for the 1954 Nominating Committee are:

Chairman, Frank E. Rogers, Floor Member; Clyde H. Bidgood, Floor Member; Fred W. Fairman, Jr., Sills, Fairman & Harris, Inc.; William F. Rowley, Daniel F. Rice & Co.; Fred D. Sadler, Floor Member; Cleveland: Theodore Thorburn, Hayden, Miller & Co.; Minneapolis-St. Paul: Paul R. Doelz, Kalman & Co., Inc.; St. Louis: Albert M. Schmelzle, Fusz-Schmelzle & Co.

Members of this year's Nominating Committee, in addition to Mr. Fuller, are: Clemens E. Gunn, Gunn, Carey & Company, Cleveland; Irving J. Rice, Irving J. Rice & Co., St. Paul; Edwin R. Waldemer, Stix & Co., St. Louis, and Thomas E. Hosty, Sincere & Co., Henry W. Meers, White, Weld & Co., Alfred E. Turner and Robert C. Wilson, Chicago.

The annual election will be held Monday, June 1, 1953.

With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Wilfred L. Fraser has been added to the staff of Minneapolis Associates, Inc., Rand Tower.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

With all the information now out about the new money issue, especially the allotments, and with interest rates still going up, there has been more of a tendancy for buyers and sellers of Treasury issues to get together at lower levels because they are now better able to fit some of the pieces into the general pattern. Short covering plus a minor amount of buying brings about rallies in the outstanding marketable obligations. On the other hand, some short selling coupled with an absence of buyers puts the market on the defensive. Accordingly, there has been a modest pick-up in volume and activity but the market as a whole is still a rather thin and restricted affair. Volume tends to dry-up when new lows are being made.

Despite the increased offering of Treasury bills, on a spaced basis, there is still a good demand for the near-term issues because of the liquidity preference which has not abated at all. The intermediate term obligations have been getting mild attention but this is mainly because of switching operations, some of which is for tax purposes. The increase in the prime bank rate from 3% to 3¼% was a natural development in the course of higher interest rates.

"Free Riders" Largely Eliminated

The government market is trying to adjust itself to the new conditions which have been created by the Treasury financing and the upping of the prime bank rate. The 20% allotment which was made to buyers of the 30-year 3¼% obligation was in line with what the financial district had been expecting so there was no element of surprise in the announcement which was, however, later in coming than had been originally anticipated. The effort to clear out the so-called "free riders" from the new offering of the 3¼% bond, according to reports, was a successful one even though the patient did have a struggle in making the grade.

The new 3¼s evidently have been taken in good volume by many of the owners of the F and G savings bonds that mature this year. There is, however, some question as to whether or not these holdings in the 3¼% bond will be of a really permanent nature because there are reports that not a few of those that took the long 3¼% issue are quite likely to sell them and reinvest the proceeds in tax-exempt obligations. Some reinvesting of this nature has already been done, according to report.

Money Market Pressure Continues

The Treasury by selling the 30-year 3¼% bond has been able to get a long-term high coupon obligation into the debt structure. The new money security with the highest interest rate in nearly 20 years is keeping the pressure on the money market and, in so doing, is carrying out that part of the plan which has as its purpose the toning down, if not the actual halting, of the credit-supported boom. As to a lengthening of maturities, the new 3¼% did not do much in that direction, because a new money issue does not result in any stretching out in maturities. To the extent, however, that the 3¼s will replace the maturing F and G savings bonds there will be a lengthening of maturities and there will also be an elimination of the demand feature which is considered a favorable development.

Institutional Interest Slight

Savings banks, insurance companies and other ultimate investors, according to reports, have not yet seen their way clear to take on any important amounts of the newly floated 3¼s. There has been, however, some minor rounding out of holdings but this has not been significant enough so far to have any appreciable effect upon the market prices of the new bond. Also the buying which is being done by the institutions is being carried out very carefully so that quotations are not being run up at all in making these acquisitions. On the other hand, in many instances there has been very little tendancy to even make bids since the buying has been mainly of bonds that had to be disposed of within a limited period of time.

Effect on Money Market Uncertain

There does not appear to be too much of an area of agreement about what effects the new long-term higher coupon obligations will have upon the government market and money markets. The long-term 3¼% bond had an appeal to some ultimate investors, but there was no bubbling over of enthusiasm despite the heavy oversubscription and small allotments that were made to subscribers. There is still a strong demand for funds at higher rates than those available in the government market, including both public and private deals. Also, there is concern as to whether or not in the not distant future there may not be still higher rates on Treasury obligations. The June refunding may give some clues as to what to be looking ahead for. On the other hand, a package offer with a very attractive short-term issue that would be taken by those that must have stability and liquidity would probably mean that the money market will have to wait until September to learn what the full effects of the new interest rate and monetary policy will have upon things in general.

Even So!

"I do not propose additional taxes, but it is necessary to maintain the current rate of revenue until further expenditure reductions, on the basis of a complete new appraisal, can be made by the new Administration.

"This will require immediate positive action by Congress. Such action will not be forthcoming without strong Administration influence.

* * *

Harry F. Byrd

"No one has worked more than I to hold down taxes through reduction in expenditures. This has not been done. For years we have thrown to the winds Federal fiscal responsibility and economic management, and now the Government of the United States must meet its obligations and at the same time balance its budget.

"If austerity is required, then austerity it should be. The British and the Canadians have proved that budgets can be balanced and taxes reduced even in these critical years."—Senator Harry F. Byrd.

We refrain from gilding the lily!

Eisenhower Assures Reuther of His Intention To Maintain High Employment

President, in letter to CIO leader, upholds principles of Employment Act of 1946, and says he intends to see that every useful means is taken to foster economic stability. Will rebuild old Council of Economic Advisers.

On April 6, Walter P. Reuther, President of the CIO, in his capacity as head of the Auto Workers Union, wrote to President Eisenhower, transmitting a number of

Pres. Eisenhower Walter P. Reuther

resolutions passed by the UAW convention; and in accord with one of the UAW resolutions, had requested the President to call a "broadly representative conference at the earliest possible date to draft a work-sheet for full production and full employment."

The following is the text of President Eisenhower's reply to Mr. Reuther, as published in the "CIO News" in the issue of April 27, 1953:

"Dear Mr. Reuther:

"I want to thank you for your letter of April 6 focussing attention on the question of maintaining the American economy at a high level of employment and production.

"This, of course, is a matter of fundamental importance. It is a matter which is very much in our thinking. Administratively, I look to the machinery set up by the Employment Act of 1946 to bring together the analyses and planning of the Executive Branch and of the Congress in this vital field. As you know, I have undertaken to rebuild the old Council of Economic Advisers and make it a genuinely useful agency. In proceeding with this task, I have been able to secure the services of our country's leading economist in the field of business cycles. I am informed that the Joint Committee on the Economic Report is also getting some essential studies of stabilization policy underway. I look forward to a close and fruitful collaboration between these two groups.

"The Employment Act of 1946 reflects a determination on the part of the American people to see to it that the stupidity of mass unemployment never again visits this land. I firmly subscribe to the principles of that law, as I have said more than once in the past. I intend to see that every useful measure, private and public, is taken to create conditions that foster economic stability and a rising standard of living for our people. To achieve this goal requires the creation of a climate in which confidence about the future can grow and in which every group in our society pulls together for the good of all. In such an environment, I am confident we can greatly increase the stability and productivity of our economy. This situation, buttressed by steady vigilance and by firm and coordinated government policies, holds promise for the future.

"The achievement of a steadily growing and a prosperous economy requires continuous thinking and planning for the future. Towards this end, we shall consult actively with private citizens and groups. We will need to draw on the accumulated experience and knowledge of our people as well as their goodwill. I know we can count on your support in this effort.

"Sincerely,

"DWIGHT D. EISENHOWER."

F. R. Petersen Opens

WICHITA, Kansas — Frank R. Petersen has formed the Petersen Investment Company with offices at 1308 Perry, to engage in a securities business. Mr. Petersen was previously with King Merritt & Co., Inc.

Securities Salesman's Corner

By JOHN DUTTON

Know Your Customer!

The ability to make an overall appraisal of people is something that you cannot learn overnight. But if you want to build a solid relationship with anyone you must be able to understand what makes them "tick." There are patterns that certain individuals will follow. They will react over and over again, almost identically to the same stimulation. Rub them the wrong way and "you're out" automatically. Know what they want, and how they want it, and you can't miss.

Here's a Sample

I know of a man who has been living in a medium size city for about 25 years. He has become well established in his business and over the years he has accumulated quite a substantial nest egg. He is a man who has few close friends. But he is respected by his customers and his competitors for the main reason that he is a stickler for details. When he tells you something he says it with finality. The result is that many people have come to believe that he is quite an authority on many subjects. A close observer, however, would see that this man knows his own line of business quite well, but he is often woefully incorrect in some of his other statements. In addition, he many times has made enemies by his brusque manner. His answer to a query on the subject often is, "Tell me the people who don't like me and I'll tell you how much they owe me."

Several months ago a salesman of my acquaintance sold this man some municipal bonds. This was the first order he had received from him. The next day he received a check for the principal amount due but since the bonds were sold "when issued," the confirmation did not indicate the accrued interest that would be added when the bonds were ready for delivery. A note accompanied the check which requested that it should be deposited to the account of the purchaser of the bonds, and that it was sent to stop the accrued interest.

Dilemma Number One

Knowing that the customer was opinionated, and also that he might hurt his feelings if he called his attention to the fact that "accrued interest" could not be stopped in this manner, the salesman wrote a very tactful letter and casually reminded the customer that all accrued interest would be returned to him when the next interest coupon was cashed; at the same time inferring that he was sure that he knew it all the time. The check was held for several weeks and then because of legal difficulties, the bond issue was withdrawn from the market and the offering was cancelled.

Dilemma Number Two

Now the question of retaining the order and obtaining a reinvestment of the funds became the first consideration. Two courses were open. The salesman could have kept the check and he could have gone back to the customer and offered another bond. Or he could mail the check back and enclose a short note with it, thanking the customer for his patience and telling him that if something else came up that might be suitable at a later date he would submit it.

The salesman chose the latter course and returned the check without making another offering. Several weeks later he took the customer to dinner. He talked about other things—in fact he listened to quite a discourse pertaining to some personal affairs of his customer, his family difficulties, etc. They parted in a very friendly way and had a pleasant evening together.

Several weeks later an issue was available that was offered by a community close to the customer's home town. The salesman called him on the phone and told him about it. After listening to the customer's opinions regarding the unattractiveness of the municipal bond market, the possible declines ahead and the fact that the bonds that were being offered were not too attractive, he was told, "Well, I guess I'll take a chance on them anyway; you know, you've been mighty nice and I'd like to give you an order just on general principles."

The salesman sent him a thank you letter with the confirmation and this was the way he ended it. "I realize that you probably bought these bonds just to give me a boost, even though I am sure that you agree with us that they are good bonds. I do appreciate this order."

If this man had been handled any other way I don't think he would have bought. He got it the way he liked it.

R. L. Scheinman & Co. To be Formed in NYC

Robert L. Scheinman, and Joseph H. Amy, member of the New York Stock Exchange, will form R. L. Scheinman & Co., with offices at 40 Exchange Place, New York City, effective May 11. Mr. Scheinman is President of the Hettleman Corporation. Mr. Amy is active as an individual floor broker.

Garrett Bromfield in New Quarters

DENVER, Colo. — Garrett-Bromfield & Co. has announced the removal of their offices to new and larger quarters at 650 Seventeenth Street. The firm also announces that its merger with Sidlo, Simons, Roberts & Co. is now fully effective. There has been no change of personnel in the consolidation of the two firms.

Brown, Barton & Engel Formed

CEDAR GROVE, N. J.—Brown, Barton & Engel is engaging in a securities business from offices at 55 Westland Road. G. P. Barton, formerly with Weber-Millican Co. is a partner in the firm.

Continued from page 2

The Security I Like Best

earnings. On the same average market price-dividend basis the yield has ranged between 3.1% to 3.9%. The current yield of 4.3%, on the prospective $2 cash dividend, is above the historical average.

(16) Viewed in longer term perspective—and based on population growth, prospective national income, the company's research, new product development and expansion of productive capacity—substantial sales and earnings gains are visualized over the next few years.

(17) Over-all sales volume over the next few years could attain a level one-third over last year's level. On this basis, with a profit margin at last year's 22%, and assuming 50% Federal income taxes, net earnings could range around $5 per share

(18) Such earnings, with a two-thirds dividend pay-out, could support disbursemuents of $3.25 per share, or better, compared with $2 estimated for 1953.

(19) Merely as a broad suggestion of future market valuation, and based on the historical performance of the shares, it may be observed that 14 times potential earnings of $5 per share could be translated into a market price of about 70. A $3.25 dividend to yield 4½% would command a market value of around 72.

(20) Considering the general growth background and prospects along with the excellent "quality" of the issue based on its exemplary past record and future potentialities, the shares may be regarded as attractive for investment portfolios.

Eastman Kodak common stock is listed on the New York Stock Exchange.

CHARLES F. O'REILLY

J. W. Sparks & Co., Philadelphia, Pa., Members, New York Stock Exchange

Insurance Company of North America and Affiliated Companies

A conservative Philadelphia institution organized in 1792 and the oldest stock Fire and Marine carrier in the United States, Insurance Company of North America and Affiliated Companies (Philadelphia Fire and Marine Insurance Company and Indemnity Insurance Company of North America) write practically every type of insurance except life. Head office in Philadelphia operates through Regional Offices established or planned for in California, Indiana and Massachusetts. The Regional Offices supervise the activities of 39 Service Offices in the United States and 25 in other parts of the free world. This organization enables the 20,000 agents and brokers of the Companies in the United States and Canada to bring the full facilities of the North America Companies to their clients. The Companies are authorized to transact business in all States of the United States and the District of Columbia; Alaska; Puerto Rico; Hawaii and the Virgin Islands; all Provinces of Canada except Newfoundland, and in 29 other Foreign Countries. The Companies pursue an aggressive policy of meeting the needs of the public as expressed through its agents and brokers with the result that it achieved the record breaking premium increase in 1952. Fire coverage may have reached a temporary peak of earnings in 1952 but automobile coverage turned more profitable in the last quarter of 1952 as rate increases became effective. Companies have introduced a Homeowners policy that combines in one package the basic insurance requirements of ownership and occupancy of a residence. Underwriting profits in 1952 were $11,019,022.00 before taxes and keeps intact a record of underwriting profits each year since 1930.

Charles F. O'Reilly

Insurance Company of North America stockholder equity in admitted assets is $93.39 per share based on market value of securities and equity in unearned premiums as computed by Standard and Poors. The Companies security investments Dec. 31, 1952 were valued at $487,742,263.00, equal to $134.90 per share. Funds were invested 38% in Bonds $185,577,205.00 — 14% in Preferred stocks $69,281,631.00—48% in Common stocks, Public Utilities, Industrials, Banks and Rails, $232,883,427.00 and had other assets of $82,764,484.00. These investments are the source of dividend income for stockholders and earned $17,330,072.00 before taxes. Underwriting profits and investment income total was $20,447,144.00 after taxes equal to $5.65 per share. The Companies Executive Committee and Investment Departments long years of experience in the management of investment funds, greater in size than the average mutual fund, has resulted in unrealized capital appreciation of $119,618,959.00. Investment of new premium funds and retained earnings assures capital growth often missing in mutual fund investment. This is a distinct advantage to the long-term investor in the higher tax brackets. Insurance Company of North America has 3,610,340 shares of $5.00 par stock outstanding and has paid dividends every year since 1875. A stock dividend of 20% was paid December, 1949, and the stock was split 2 new for 1 old in March, 1951. Dividends have been increased four times in the past five years. The stock is now paying $2.00 regular plus 50¢ extra per year and another dividend increase is possible this year. Traded on the American Stock Exchange, free of Personal Property taxes and considered Legal for Trust Investment in Pennsylvania. Price range in 1952-53 has been: High, $100.50; Low, $70.00. Recent $80.00 to yield $3.12% on present $2.50 dividend.

Pension Fund Trustees and other long term investors who aim to increase capital over the years will find this issue attractive. The higher trend of interest rates on new issues of securities will eventually produce a better income for this stock. It is an issue that will perform creditably not only in a bull market but over a long period of time.

Rada, McElhiney & Morack Join Bache

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Lester B. McElhiney, Ralph Rada and Llewellyn I. Morack have become associated with Bache & Co., 229 East Wisconsin Avenue. All were formerly officers of Rada, McElhiney & Morack, Inc.

Salkin, Blau Co. Formed

Salkin, Blau & Company has been formed with offices at 1457 Broadway, New York City, to engage in a securities business. Officers are H. Salkin, President, and D. Blau, Secretary and Treasurer.

Continued from first page

Extinction via Regulation —An Indictment of the SEC and ICC

after 20 years of study and teaching in the field of corporation finance and the distribution of securities in the capital markets of the country.

That is the subject to which I wish to direct my remarks tonight, and, to point it up sharply, I want to propose the elimination of the Securities and Exchange Commission. I consider it an agency that is totally unnecessary for ethical, honest and efficient operations of the capital markets of the country within the law. By that I do not mean that we should turn the clock back and permit the return of conditions and practices of the pre-New Deal period. We should and we can preserve all the benefits that have been accomplished by the SEC, and there are several. At the same time, we can eliminate the many serious and obvious defects which 20 years of experimentation and practice under the Federal legislation of 1933 and '34 and subsequent amendments thereto have disclosed.

I repeat that we can eliminate all the defects of that legislation, yet retain all its benefits, and at the same time eliminate the SEC not only as a superfluous, but also as a positively harmful agency of government.

The Security Markets in 1933

I would like to go back a bit and review briefly the situation in the security markets as it was in 1933. We had just seen the collapse of a great speculative boom in corporate securities which had started back as early as 1922. It was primarily based upon too liberal credit policies of the Federal Reserve Board that had been first organized in 1913. Its liberal credit policies were designed to stabilize commodity prices which, measured by the wholesale commodity index, had fallen 40% between 1920 and 1922. The all-stock index (of the Department of Commerce) had fallen 28.4%, the industrial stock index 40%, and the utility stock index 4% between 1919 and 1921. These liberal credit policies were continued too long and resulted in over-speculation, first in the real estate markets, and, subsequently, in the security markets of the country. Every type of common stock and preferred stocks was driven far beyond their intrinsic values in the speculative spree that developed out of the excess credit made available by the Federal Reserve Board.

Even after the crash of stock prices in the second half of 1929, the all-stock index for that year was 264% above its 1921 level, while the industrial stock index was 267% higher, and the utility stock index 300% higher than in 1921. Many individual stocks showed sharply higher gains.

The inevitable crisis came in mid-1929 with the failure of a large financial house in England which precipitated heavy liquidation throughout the world, followed by a drastic tightening of credit and extraordinarily high interest and discount rates. It was accentuated by the collapse of German reparations and international payments in 1931. Widespread currency devaluation in 1931-32 further disrupted conditions. The all-stock index for 1932 fell 74% below its 1929 level, the industrial stock index 75% and the utility stock index 66%.

Consequently, the country in 1933 was looking for a scapegoat on which to blame the evils of the past and the high speculative losses suffered by the public which they themselves were not willing to take the responsibility for. Therefore, the security dealers, the investment banking markets, and the stock exchanges of the country were made the "whipping boy."

Now, in many respects those markets deserved what they got. Self-regulation and state legislation had proved to be inadequate and the leaders of the capital markets did not demand remedial legislation. Due to the fact that for many years the law of fraud, as applied by the States to security markets, had become obsolete and ineffectual, the law of fraud was drastically changed by the Federal Government, with the emphasis shifted from "let the buyer beware" to "let the seller beware."

The Example of England in Securities Regulation

You all know too well that it was impossible for the average member of the public to read and understand the intricate legalistic documents of the type that constitute the investment markets' sales vehicles for bonds, stocks and trust indentures of various kinds. The old law of fraud merely prohibited an *affirmative misstatement* of a material fact. It did not require *full disclosure* of all material facts. England had blazed the trail some years earlier in this respect simply by amendment of her Companies' Act of 1853 setting up adequate standards for full disclosure of all material facts and making provisions for swift and sure punishment for violations in order to assure full compliance with the changed standards.

England at no time in her regulation of corporate activities since 1853 has found it necessary to establish the type of bureaucratic controls which our Federal Government established by its legislation of '33 and '34. Here, due to the situation that developed out of the stock market crash of 1929 and the tremendous and widespread losses which had developed in that era, the public became deeply and emotionally aroused, and, as a consequence, the legislation which was enacted by Congress after hysterical public hearings was highly punitive.

Emotional Legislation

You all recall the Congressional hearings that were held with the Frankfurter boys digging up and rehashing all the scandals, all the unfair trade practices, and all the frauds that were engaged in by unscrupulous and dishonest dealers, who after all were only a very small percentage of the trade. These were seized upon and blown up out of all proportion to their real comparative importance. Though they were highly exaggerated and were judged largely on an after-the-fact or *ex post facto* basis, the leaders of the capital markets of the country had been at fault in not demanding remedial self-regulation and enactment of higher legal standards by state legislatures to prevent these unfair and unethical, if not illegal activities.

You all will remember when midgets were placed on the laps of prominent, respectable, and law-abiding financiers to discredit them before the public. You will remember the indiscriminate smearing of the entire financial profession; Wall Street was pictured as a center of speculation and a cesspool of all types of fraudulent and unfair trade practices. The cry went up to break the "monopoly" power of Wall Street over money and credit; to decentralize its control of the money markets and to break the position of all outstanding leaders in the field. The same justification was used simultaneously to suspend the gold standard and devalue the dollar. All the scandals and frauds of past decades and all their errors of judgment were used by the "crusaders," the left-wingers, the Socialists, and the Communists to undermine and destroy our capital markets as the keystone of a free economy.

The Brookings Institution in its "Regulation of Security Markets" (1946) quotes a former Chairman of the Securities and Exchange Commission in commenting upon this situation on pages 49-50 of its pamphlet. The Institution says:

"The magnitude of the losses resulting from outright fraud or misleading information are unknown and unknowable. There is enough evidence to indicate that they run into large totals in speculative periods. One should, however, be on guard against the implications of statements such as the following:

" 'When the buying mania began to spend itself in the fall of 1929, there was a tremendous market break. . . . The value of those stocks . . . continued to decline until in 1932 they amounted to a total of $15,000,000,000. This represented a dead loss of approximately $74,000,000,000 in about 2½ years. The market value of bonds on the New York Stock Exchange also decreased during that period from about $49,000,000,000 in 1930 to $30,000,000,000 in 1933.

" ' . . . Here we see a capital market which in about one decade took the investing public for total losses of about $93,000,000,000, roughly the difference between the high and low market values. . . .' [1]

"The use of the phrase 'took the investing public' is itself misleading. It implies that all of the losses of the depression period were attributable to fradulent or misleading information or manipulated practices. The statement, moreover, assumes that the all-time high of security prices in 1929 is a true basis from which to measure subsequent losses. As a matter of logic, if all the losses of the depression period are chargeable to the capital market, then all the antecedent gains of the boom period should be credited to the capital market.

"Statements which fail to discriminate between losses due to fraud and misleading information, on the one hand, and those which result from cyclical economic fluctuations and speculative excesses, on the other, can serve no useful purpose."

Prejudiced and Punitive Administration Of SEC Acts

Well, out of all that emotion arose the punitive Securities Act of 1933, covering new issues of corporate securities, and its punitive companion act a year later, the Securities and Exchange Act of 1934, for the regulation of the stock exchanges of the country. Since then we have had a prejudiced and punitive administration of those Acts, resulting in bureaucratic over-regulation and control of the stock exchanges of the country, which have substantially impaired their function of assuring relative stability and liquidity for outstanding issues; and similar over-regulation and arbitrary control of the investment banking market, seriously handicapping, if not destroying its vital risk-bearing function of syndication of new corporate issues. And you all too well know the restrictive and punitive controls that have been imposed upon the over-the-counter market which gives stability and liquidity to the great bulk of all corporate issues—those that are not listed on the stock exchanges of the country.

If you will bear with me just a moment, I would like to quote a few statistics, which perhaps you are more conscious of than I am. Take the situation of 1952. In spite of the fact that personal national income in 1952 rose above $275 billion, compared with only $85 billion in 1929, yet in 1952 the total volume of corporate security underwritings was only approximately $10.5 billion compared with $10.1 billion in 1929. Actually the situation is much worse than that. Of the $10.5 billion sold last year, approximately 40% or $4.1 billion were sold directly to banks, insurance companies, and similar institutional buyers through the "direct placement" route. In earlier years, between 1935 and 1940, the percentage was even higher. The securities that were publicly offered through the investment banking market in 1952 were only $6.4 billion compared with $10.1 billion in 1929.

You all know that the number of firms and branch offices of dealers and brokers in the security markets of the country, based on past experience, should have expanded by, say, approximately 25% in the last 20 years, but instead it has shrunk about 38%. In fact, the membership of the Investment Bankers Association (including branch offices) rose from 593 in 1918 to 1,902 in 1929, but in 1945 was only 1,342 and in 1952 only 1,787. Take the turnover on the stock exchange and you get a similar picture. As a matter of fact, the number of securities listed on the exchange in 1952 compared with 1929 has increased only about 25%. You all are fully aware of the drastic extent to which the volume of daily trading on the stock market has declined, despite the fact that the savings of the people today are accumulating at a rate such as we have never

1 Ganson Purcell, Chairman, *Securities and Exchange Commission*, Hearings before the House Committee on Interstate and Foreign Commerce, 77 Cong. 1 sess. Pt. I, p. 8.

seen in our entire history, averaging between 12 to 15 billions of dollars of savings annually.

What Has Happened to Capital Markets

It is only natural under these circumstances that we stop a moment to see what has happened to the capital markets, why it has happened, and where the financing that must be taking place in our rapidly expanded (and still expanding) economy is being done. And the answer briefly is that the Federal Government, while forcing the private investment market to "wither on the vine," has been steadily pre-empting the function of the investment banking market to a major degree, displacing private capital both in the domestic and in the international spheres and, as that goes on, our private investment banking markets are being progressively weakened and in due course will be destroyed by government competition. Time does not permit me here to review the huge volume of capital investments, loans, and grants both at home and abroad that have been made by the many Federal lending agencies since 1933. Many billions of dollars supplied by the Federal Government in these years could have been obtained by floating security issues on the private capital markets of our country and would have been floated there, had the New-Fair Deal Administrations really believed in the private enterprise economy to which they gave lip-service.

What has made America great has been the savings of the millions of "small" people of this country plowed back into private industry as risk capital, which has made possible (applied) scientific research and development of technological devices which has permitted us steadily to reduce costs of production and increase our man-hour productivity at an annual rate of approximately 2½ to 3% over the past 75 years. Anything that unnecessarily puts an impediment upon the free flow of that private risk capital into our private, competitive jobs and producing and tax-paying industries, and tends to substitute government capital for private capital is an additional impetus toward the ultimate socialization of the United States. Already we have traveled further down that road than most of us realize.

Now, if we take a look at the various unnecessarily restrictive and punitive activities of the SEC, and the arbitrary and dictatorial techniques which the Commission has used to throw monkey wrenches into the delicate machinery of our private capital markets which had slowly and carefully been developed by trial and error methods between the Civil War and the depression years of 1929-33, you can understand what has happened and what we need to do to correct it.

Supports Full Disclosure of Material Facts

Starting out with the change in the law of fraud, I want to restate that in the security field full disclosure of all the material facts is essential. Truth alone—that is, absence of an affirmative misrepresentation of a material fact, is not enough. There must be full disclosure of *all* material facts (that may be known to experts) which the average investor should have to permit him to exercise intelligent judgment on each security issue. Enforcement of this law of fraud does not, however, necessitate a policing agency of the type of the SEC. All that we need to do to continue and effectively enforce that concept of the law of fraud is to follow England's lead. Make the law applicable to all types of security transactions, whether made on the stock exchanges of the country, on the over-the-counter markets, or in the process of issuing, underwriting, and distributing securities either by "direct placement" with institutional buyers or through syndication for distribution to the public. Merely filing with some Federal agency, such as the Department of Justice or the Department of Commerce, of a simple forthright statement of all material facts, with full disclosure, is sufficient registration. Filing of such a statement with a Federal agency as a matter of record will involve little or no expense or delay such as we now have in the cumbersome and costly registration procedures followed by the SEC. The Department of Justice should be given adequate funds to permit prompt investigation, swift prosecution, and sure punishment in all cases of fraud and other violations.

The present registration requirements of the SEC cause unnecessary delays in floating securities on the capital markets where conditions change quickly. Delay may mean that underwriters will be forced to carry issues on their shelves for an indefinite period, rather than dispose of them to the public as contemplated. Delay may mean that changing market conditions call for the issue of stocks when a short time earlier bonds were in demand and vice versa. The risks involved in such delays are not favorable to underwriting of securities and, as a consequence, investment bankers refuse to act as principals and will act only as selling agents of the issuing companies, which does not solve the problem but merely shifts the risk to the issuers and destroys the risk-bearing function of the underwriters.

Heavy Costs of Registration

The heavy costs of registration are also a major factor to many issuers, especially with respect to relatively small issues of securities. Costs that rise to $50,000, $100,000, and, in some instances, to much higher levels represent substantial percentages of the smaller issues. As a consequence, since 1933, Congress has been forced to increase the exemption (from registration) of small issues from $30,000 to $300,000. Yet past experience has shown that fraud is more likely to be practiced effectively in the smaller rather than in the larger issues, though there have been flagrant exceptions.

In our case, the British experience proves clearly that the risks and costs involved in our cankersome registration procedures are not necessary in the fight to eliminate frauds. Their chief effects have been to undermine and destroy our efficient, honest, and law-abiding operators in our capital markets.

Competitive Bidding

The next step would be to permit the money market itself to determine whether or not competitive bidding is desirable. A free, competitive money market will probably determine that in certain classifications of securities, such as those issues of stocks or bonds that are highly standardized and relatively simple, competitive bidding is practical, feasible, and most efficient. That is a matter which can best be determined by those who are operating in the market. In those issues which are more complicated and not so highly standardized, competitive bidding probably is not efficient and is definitely a handicap and a brake on the normal flow of capital into the proper channels.

In other words, I don't think legislators or government officials can categorically say that competitive bidding is either right or wrong across the board. Nor can they rightly determine under what circumstances competitive bidding should or should not be enforced. That is a question that the market operators themselves should be permitted to determine based upon the conditions in each particular type of security. As a matter of fact, my own conviction is that compulsory competitive bidding is not in the public interest, if we had to choose between competitive bidding on one hand and the opposite. I wouldn't outlaw it completely nor would I make it compulsory.

The greatest justification for this position is the fact that legal counsel for the corporation that is issuing the security and counsel for the underwriters of the security should be given the opportunity to get together and agree in advance on the type of security and terms and conditions which are tailored to *current* market conditions, but amply protect all corporate interests involved, and, at the same time, are fully protective of the interest of the potential customers of the underwriters and distributors of the issue. The public, therefore, as a result of the negotiations between the counsel on both sides, gets a document which is more truly protective of both the public and the corporate interests. You don't get that result when underwriters are compelled to use the competitive bidding process. If there is monopoly in the investment market, competitive bidding is not the cure for it.

Growth of Direct Placement

There is, however, a much more serious problem that is threatening to destroy both the *stability* and *liquidity* of corporate securities which constitute the only economic justification for the investment banking market. That is the tremendous growth of *direct placement* of new issues of bonds, debentures, and, at times, preferred stocks with banks, insurance companies, etc. As I read the hearings before the Congressional Committees, it was never the intention of Congress that the direct placement of issues should be permitted to grow to the extent that is has developed. Today, as I have pointed out earlier, 40% of all new security issues are placed directly with banks and insurance companies and other institutional buyers, without the risks and costs involved in the registration procedures of the SEC. This development is the consequence of the fact that Congress limited the jurisdiction of the SEC over new issues to "public offerings" in interstate commerce and the rulings of the SEC that all offerings to *expert* or *professional* buyers (such as institutional buyers) are not "public offerings."

Consequently, any issuing corporation, desiring to market securities that are eligible for purchase by banks, insurance companies, and other institutional buyers (whose investments are subject to legal restrictions) can avoid all the risks of delay and all costs involved in registration with the SEC by selling directly to such institutions. By doing so, they can also avoid most of the costs of syndication, underwriting, and distribution of their securities by the investment banking markets. This means no corporation that can sell its securities directly to institutional buyers will ever use the investment banking market facilities.

As a consequence, as you know all too well, the *best* securities, the *least risky* securities, the "cream of the crop" of all new securities, are being sold directly to the institutions of the country and are no longer available to the normal investment banking markets nor to individual investors. The investment bankers are being forced to absorb and resell to the public only those securities that are issued by the *less seasoned* companies. They are forced to absorb the *more risky* securities as well as all the second grade securities. The better grade, the less risky, and the most desirable securities that previously sustained the greater bulk of the operating costs of investment bankers are no longer available to them. This means that they must, in order to survive, earn *higher profit margins* on their underwritings to compensate for the greater risks or merely act as selling agents for issuing companies.

At the same time, the SEC is attempting directly and indirectly, but without authority of the law, to fix both prices and margins of profit.

A combination of those two factors, if continued, is certain to wreck the investment banking market and the machinery set up for the syndication, underwriting and distribution of all new issues of equity securities. Preferred and common stocks represent *risk capital*, the money which goes into corporations to create new jobs and develop new technological processes which will reduce costs of production, increase productivity, and permit increase in wages, shorter hours of work, and lower prices. It is the risk capital that should be given particular consideration, encouragement and protection. If the Federal Government continues to deprive the investment banking field (and through it the public as well) of the *less risky* and the *better types* of securities, it will inevitably either destroy all syndication and force

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Extinction via Regulation—An Indictment of the SEC and ICC

investment bankers to become agents of the issuers of securities, or force them to charge margins and mark-ups which will require the public in the long run to pay much higher prices for those securities than they would pay, if all securities that are presently floated through the investment banking market and those which now go to direct placement institutions were returned to the old channels. The government can't take the cream off the crop out of the market and expect the balance of the securities to be sold, except on a riskless basis as agents or with sharply higher mark-ups.

Rising Cost of Equity Capital

In the longer term it is possible that the costs of equity capital will become so great that new issues will be confined chiefly to bonds and debentures and retained earnings will be used for equity capital. This not only deprives stockholders of adequate returns on their investments commensurate with the risks of such investments but will eventually force the Federal Government to supply equity capital—a process that will eventually socialize our society.

In any case, it would be disastrous for American industry, as well as the nation as a whole, if the financial structure of our private corporations becomes overwhelmingly based upon *borrowed capital* rather than *stockholder* or *equity capital*. Defaults on interest and principal payments due on debt instruments inevitably results in bankruptcy or receivership and reorganization. Defaults on dividend payments to equity capital do not result in bankruptcy. Consequently, corporations that have relatively small debt structures can survive depressions, but those that have heavy debt structures usually fail and accentuate the depth and duration of depressions and consequential problems of large-scale unemployment, unbalanced budgets, etc. Yet the official record of the past decade shows that this danger has been greatly increased as the table below demonstrates.

NEW DOMESTIC SECURITY ISSUES
(Millions of Dollars)

For New Capital

		Corporate			
	Total	Total	Bonds & Notes	Stocks	Other*
1940	$1,948	$736	$601	$135	$1,212
1941	2,852	1,062	889	173	1,790
1942	1,075	624	506	118	450
1943	640	374	282	92	266
1944	896	646	422	224	250
1945	1,761	1,264	607	657	497
1946	4,635	3,556	2,084	1,472	1,079
1947	7,255	4,787	3,567	1,219	2,467
1948	9,076	6,177	5,269	908	2,898
1949	8,131	5,095	4,125	971	3,036
1950	8,103	4,339	3,138	1,200	3,764
1951	9,617	6,064	4,459	1,605	3,553

For Refunding

		Corporate			
	Total	Total	Bonds & Notes	Stocks	Other*
1940	$2,852	$2,026	$1,834	$193	$826
1941	2,689	1,557	1,430	126	1,133
1942	1,039	418	407	11	621
1943	1,442	685	603	82	756
1944	3,288	2,466	2,178	288	822
1945	6,173	4,937	4,281	656	1,236
1946	3,895	2,953	2,352	601	942
1947	1,948	1,482	1,199	283	466
1948	1,135	284	257	28	850
1949	1,492	445	393	52	1,047
1950	2,463	1,360	1,301	58	1,104
1951	2,216	527	394	133	1,689

*Includes State, Municipal and Federal agencies. (Publicly offered issues of Federal credit agencies included but direct obligations of U. S. Treasury excluded.)

Source: Federal Reserve Bulletin: Based on data from the Commercial and Financial Chronicle. 4/24/52

It will be noted that in 1951 stock issues represented only 37% of total corporate flotations of new capital issues.

Eliminate the Registration Process!

The remedy for this situation is clear. It would be highly detrimental to the public interest to force the costly registration procedures of the SEC upon those securities that are now exempt and are sold by direct placement chiefly to the banks and insurance companies that hold many billions of dollars of the public's funds. *The obvious remedy is the elimination of the entire registration process and acceptance of the British system which has just as effectively prevented fraud and yet has neither threatened the destruction of the investment banking market by direct placement or put a huge premium on use of debt rather than equity financing.*

There is another phase of the present Federal regulation which also has at times been extremely embarrassing, but it is unnecessary, and that is the conflict in jurisdiction between the Securities and Exchange Commission on the one hand, and the Federal Power Commission and various state utility commissions on the other hand. Frequently, there have been decisions of the SEC on all fours with those of the Power Commission; or on all fours with decisions of the utility commissions. At times there have been occasions when all three regulatory bodies were issuing conflicting decisions on the same issue. That conflict of jurisdiction is confined to the utility field, but it places the utility companies in a very difficult position. A codification of that legislation and the elimination of those conflicting jurisdictions is one of the essentials to clear up the current situation. At the same time we might very well get a codification of the various laws in the securities field which have been enacted since 1933. If we eliminate the SEC entirely, then the approach would be somewhat different, as I will point out shortly.

One of the major consequences of the punitive Federal legislation and administration of the acts since 1933 has been the almost total elimination of flotation of security issues by foreign governments and foreign corporations in the U. S. capital markets. In the period between 1920 and 1930 these foreign securities, mostly bonds and debentures, represented a very substantial proportion of the total volume of business underwritten during this decade. I am now including not only private foreign flotations, but also flotations by Central, State, and municipal foreign governments. The requirements of the SEC legislation subjecting foreign governments, as well as foreign corporations, to the cumbersome procedures of registration and all the costs and other delays and requirements of that legislation, have strongly and adversely affected the desires and efforts of foreign countries to take advantage of the tremendous capital savings of this country, which are crying for investment opportunities.

Of course, since 1929 a serious problem has developed abroad with respect to confiscation and nationalization of properties. That is, of course, one of the major factors for consideration in respect to future underwritings of foreign securities in this country. At the same time, with a fair-minded and courageous State Department, interested in protecting private interests of American citizens abroad, there is no reason why we can't get honest and reliable pledges from various nations that they will give American capital at least 25 or 30 years of assurance against nationalization, and then only with adequate compensation. In fact, India has already expressed its willingness to give such guarantees. Other nations certainly would be inclined to do likewise if we will eliminate the unnecessary restrictions that are now imposed on both domestic and foreign flotations. By doing so, we can look forward more confidently to the time when the Federal Government can completely withdraw from the field of international finance except perhaps in the field of military assistance.

If the present trend continues, however, it may be impossible in the future to replace the Federal Government. And, if the Federal Government is going to continue through taxation to supply American capital abroad and totally destroy the function of private international banking and finance, it is only a question of time, in my opinion, when the Federal Government will undertake progressively to supply more and more capital on the domestic market as well until our free economy is destroyed.

SEC's Attempt at Price and Profit Fixing

I want to talk briefly also on a point that I mentioned a few moments ago, the attempt on the part of the SEC to fix prices and eliminate normal and reasonable margins of profit in the security field. Price controls and profit margin controls are constitutional on the part of the Federal Government only in time of war. And, yet, the type of controls that the SEC has been seeking to establish over the investment banking markets were conceived and would be perpetuated in times of peace, because they are not based on war powers at all.

There isn't another industry in the country that even in wartime was subjected to the demand that its members disclose their purchase prices and their margins of profit which they hoped to obtain when they make sales to their customers. Neither are mark-ups in any other industry any longer held down arbitrarily by bureaucratic fiat instead of being determined by competition in free markets.

And yet that is what the SEC is attempting to do through its own policing activities and by insisting that the National Association of Securities Dealers enforce a 5% mark-up rule. There is not even authority in the Federal legislation for such action. There is no economic justification for it. And if it continues to be applied, it will simply expedite the day when the investment banking market will either become as it was in the period between the Civil War and World War I, merely a group of firms that are acting on a commission basis as sales agents for issuers of securities and no longer taking risks which you gentlemen are accustomed to take.

You gentlemen perform functions that justify profits that are commensurate with the risks you assume. In some transactions these risks obviously are greater than in others and any arbitrary ceiling placed on those profits simply insures that the risks will not be absorbed and they are shifted back to the issuers or owners of the securities involved. The only limitations on profit margins should be those established by competition in a free market. The government's only legitimate function in this respect is to guarantee a market free of monopoly and unfair competitive practices.

This brings up another vicious and unnecessary restriction of the SEC upon your industry; and that is the limitation on your right freely to advertise your products and services and advertise new issues so long as you do it honestly and within the law. All that is needed is a definitive legislative statement of the law of fraud and rigid and prompt enforcement of that law, with swift and sure punishment of all violations. There is no sound reason why your industry should not be put exactly in the same position under the law that every other industry now stands with respect to advertising, whether it is over the radio, television, press, prospectuses, pamphlets, or otherwise. There is simply no justification for assuming that the investment banking industry is any more fraudulent, any more dishonest, any more crooked than any other industry in the United States. To assume so merely means that honest business is being destroyed in the name of fraud prevention.

We Will Always Have Fraud

And when I'm talking about fraud, may I say this: We will always have fraud so long as human nature is what it is. We will always have a few chiselers; we will always have a few embezzlers; we will always have a few murderers. The law must always provide for swift and sure punishment commensurate with the crime in order to discourage such crimes. But there must always be eternal vigilance. You are never going to eliminate fraud in securities no matter how scrupulous you are as a majority. But it is not fair that any industry be punished for more than 20 years for the sins of a very small minority, particularly when those sins were largely exag-

gerated and judged by changed standards on an *ex post facto* basis.

I might say that administrative law in this country has developed at a very rapid rate since 1900. We have seen in that period the development of many and various Federal commissions which are operating today as judge, jury and prosecutor all in one. That type of administration of law was derived from Europe. Fundamentally, it is contrary to American principles. A limited amount of administrative law is fully justified and perhaps the best illustration of its proper use is found in the Interstate Commerce Commission, established in 1887.

For years that Commission has served a very desirable function in elimination of abuses, unfair trade practices, and unjust, uneconomic discriminations in the field of transportation and the regulation of rates to insure a fair or reasonable return on invested capital and a fair or reasonable rate to the consumer. This Federal Commission set the pattern for State regulation of intra-state public utilities. But that institution was established at a time when the public utilities and the railroads of the country were legal monopolies in the true sense. Today you cannot say that any railroad in this country has a monopoly, except perhaps within certain small intra-state areas. By and large there is no such thing as a monopoly in the transportation field today. The railroads are subjected to competition by busses and trucks, air lines and steamship companies, and all of them are subsidized directly or indirectly by the Federal or State Governments. And, yet, for a long term of years the ICC performed a very essential function.

Today, the ICC could and should be completely eliminated and the railroads cut loose to establish their own rates, to integrate with the air lines, the busses, the trucks, and the steamship companies of the country. In the period of five or ten years we would probably have five or six major trunk line systems, all competing with one another and serving us on a strictly competitive basis, without rate regulations. It would be necessary only to enact a statute providing against monopoly and monopolistic and unfair competitive practices, forcing all transportation companies to compete under the anti-trust law. They no longer have special privileges under their so-called monopoly charters and should no longer be regulated as public utilities.

ICC Has Served Its Function

What I am saying, in other words, is that the ICC has served its function and we have gone beyond the time when there was monopoly in the railroad field and we can now throw transportation back to a free market system except, perhaps, in isolated intra-state areas that might still require regulation by State Utility Commissions.

By the same token, we can say that the SEC might have been fully justified, due to conditions that had been allowed to develop in the 'twenties. I think we would have done better even then if we followed the British system and never established the SEC. But let us grant that is was fully justified and that it has done an excellent job in eliminating many potential frauds and various unethical and unfair trade or manipulative practices over the past 20 years.

But let us also frankly admit this: The defects of the SEC legislation and administration which I have pointed out are serious and they are going to become much more critical rather than less serious in the future if they are allowed to continue and the SEC is allowed to operate along the lines of its present activities. And all we need to do is to state in definite terms in generic statutory form the law of fraud "let the seller beware" rather than "let the buyer beware," and then cut the market loose completely under that law of fraud to a full and free competition without any control of prices or profit margins, without any attempt to determine whether or not competitive bidding should be practiced. Put an end to the advantages of direct placement which deprives the public of the better security issues and saps the strength of the investment banking markets. Free the security exchanges at the same time from the restrictive hand of the SEC, with proper safeguards against manipulation and fraudulent practices established by adequate legal standards. This will eliminate the necessity of having to exempt small issues of securities on the grounds that the costs of registration are too high, for it is in small issues that the chief temptation for fraud exists.

You know only too well that the three hundred thousand dollar limit is too low, in view of the present costs of registration. And, yet, the SEC is in a trap. If it advocated that Congress raise the limit to a half a million or to a million dollars, as it might very well otherwise do, it is increasing the area of potential fraud, not subject to its jurisdiction. Not that the law of fraud isn't applicable to those issues. But at least the SEC does not have the opportunity in that area of preventing fraud in advance as they assume that they do in the broader field that is subjected to registration procedures.

What I am saying is this: There is no sense at all in exempting the smaller size issues on the assumption that they are less fraudulent than the issues of the larger more seasoned companies and the more responsible companies. For the past record shows that fraud has been more prevalent in the smaller issues and in those issued by the newer and less seasoned companies than in the larger issues of the older, more seasoned companies.

A simple definition of the law of fraud and of unfair or manipulative practices, with assurance of adequate funds for the Department of Justice to investigate all charges of fraud in the securities field, is all that is necessary to eliminate the present defects of the situation and to maintain the benefits which have come from the SEC.

The CHRONICLE would appreciate receiving comments on the views expressed above by Dr. Saxon, or on any related phases of the subject under discussion. Communications should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 7, N. Y. Those who are desirous of having the SEC shackles removed should also write their Senators and Congressmen and send copies of their letters to Senator Prescott Bush of Connecticut (Chairman of the Senate SEC Subcommittee) and to Congressman Charles A. Wolverton of New Jersey (Chairman of the House Interstate and Foreign Commerce Committee that deals with the SEC). Likewise, those favoring remedial legislative action with respect to the ICC should make their views known to both Congressman Wolverton and Senator Charles W. Tobey of New Hampshire (Chairman of the Senate Interstate and Foreign Commerce Committee).

ABA Vice-President Holds Peace Economy Need Not Bring Depression

Everett D. Reese, who is President of The Park National Bank, Newark, Ohio, tells Louisiana Bankers Association our resourcefulness and incentive system can accomplish more in future than in past.

Everett D. Reese, Vice-President of the American Bankers Association, and President of The Park National Bank of Newark, Newark, Ohio, in an address at the convention of the Louisiana Bankers Association, at New Orleans on April 13 contended that the end of the Korean War can be the beginning of a whole new vision of what the American standard of living can be, and not the start of a business decline.

E. D. Reese

"We have the resources and the incentive system to develop the resourcefulness of our people to accomplish still more in the future than in the past," Mr. Reese said. "We need a new vision of a high standard of living: creating more jobs by solving our road problems; diverting manpower into fields of research; providing better medical and dental care; and supplying more and better education for more people, old as well as young.

"We have been hoping and praying for years for the return of a free and favorable economic climate. We may now have the opportunity to prove that responsible free enterprise can not only maintain but can even improve our way of life.

"Yet, already doubt is being expressed that good business will continue with the end of wartime conditions. In our hearts we hope that the Korean affair will quickly come to a complete and final end, but in our heads there is fear.

"This suspicion must be proven wrong," Mr. Reese said. "Business interests, including bankers, must see that high production and broad distribution continue in spite of all handicaps. The feeling that we will soon be producing beyond our ability to sell and finance—that any curtailment of war preparations will bring a severe drop in business—is a challenge to our entire economic system.

"Actually, at present the impossible is being accomplished. At the same time we are carrying on the operation of the cold war, the preparation for a hot war, and the production and distribution of tremendous amounts of civilian goods. We must be just as resourceful in producing and finding a way to reach the masses with peacetime goods and services as in preparation for war."

Mr. Reese suggested a seven-point program for bankers. He urged that they:

(1) Be completely sold on the entire free enterprise system and understand why.

(2) Be the spokesmen of the system to the general public.

(3) Soundly and constructively finance business and individuals, both large and small, to improve production and broaden distribution.

(4) Help in the restraint of credit if that is necessary to prevent unsound expansion of either production or consumption.

(5) Teach the value of thrift and reserves.

(6) Rejuvenate U. S. Savings Bond selling efforts so as to increase the amount of government debt out of the inflationary channels.

(7) Back up those in government who are trying to reduce expenses, cut taxes, eliminate bureaucracy, and foster a democratic form of government.

"Our system of private enterprise must prove itself as being able to function well in peacetime as well as wartime. We as bankers, being at the heart of business, must be willing to work and struggle for the system which we believe is the best because it provides the most for the most."

First Boston Group Offer Detroit Ed. Bds.

An investment banking group headed by The First Boston Corp. yesterday (April 29) offered $40,000,000 of Detroit Edison Co. 3⅞% general and refunding mortgage bonds, due 1988, priced at 102.425% to yield approximately 3.75%. The bonds were awarded in competitive bidding on Tuesday.

Detroit Edison Co., a New York corporation, is engaged principally in providing electric service in an area of 7,587 square miles in and around Detroit, Mich., having an estimated population of 3,662,000.

Proceeds of the current offering together with other funds will be used to finance a $40,000,000 steam electric generating plant near St. Clair, Michigan, the first 125,000 kw unit of which is scheduled for completion this August, as well as $7,535,000 of substation construction for completion this year, transmission and distribution lines amounting to $13,700,000 and $14,726,700 for other plant construction.

Bonds will be redeemable on at least 30 days notice at the option of the company, at prices ranging from 105.43 during the 12 months ending April 30, 1954, to 100 after April 30, 1987.

Sale of electrical energy contributes 97.33% of the utility's operating revenue which, for the 12 months ended Feb. 28, 1953 totaled $176,330,000. Expansion of the company, as well as an adjusted electric rate schedule granted by the Michigan P. S. Commission in the years 1948 and 1949, is reflected by comparison of current revenues with the $119,865,000 gross operating revenues of 1948.

Gross corporate income after provisions for taxes and prior to interest charges was $26,194,624 in the year ending Feb. 28 last, as against $15,182,233 in the calendar year 1948.

Company plans for further expansion will require additional funds. Current projects to be completed in 1953 alone will require $27,400,000 and a new River Rouge power plant to cost $75,000,000 may be started this year at an outlay of $25,000,000 for major equipment.

Stewart, Eubanks Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Joseph F. Edelstein, Howard W. Proefrock and Stanley E. Sherman have been added to the staff of Stewart, Eubanks, Meyerson & York, 216 Montgomery Street, members of the San Francisco Stock Exchange.

Joins Dean Witter Staff

(Special to The Financial Chronicle)

RENO, Nev.—Milton E. Ward Jr. is with Dean Witter & Co., Mapes Hotel.

With First Southern Inv.

(Special to The Financial Chronicle)

BOYNTON BEACH, Fla.—Virgil J. Rader has joined the staff of First Southern Investors Corporation, 524 Jasmine Street.

Joins Geo. K. Baum Staff

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Ralph R. Wright, Jr. has been added to the staff of George K. Baum & Company, 1016 Baltimore Avenue.

Mutual Funds

By ROBERT R. RICH

A NEW HIGH record in total assets of "mutual funds," or open-end investment companies, was attained during the first quarter of 1953, the National Association of Investment Companies announced. Total assets have increased in every year since 1941, the Association said.

Total net assets of 112 mutual funds on March 31, 1953, were $3,968,343,000, an increase of $36,936,000 over Dec. 31, 1952 and $610,767,000 since March 31, 1952, according to a compilation by the Association.

Sales of new shares during the first quarter of 1953 amounted to $199,926,000, compared with $214,401,000 during the last quarter of 1952 and $198,234,000 during the March quarter a year ago. Net sales, after redemptions, were 132,465,000 during the March, 1953 quarter, compared with $165,146,000 for the previous quarter and $149,439,000 for the first quarter last year. The Association pointed out that shares of mutual funds are redeemable at any time at the option of the holder.

The report covers all the open-end or mutual fund members of the Association, but does not include the closed-end members. Closed-end investment companies do not continuously offer shares to the public. Their outstanding securities are listed on stock exchanges or traded in the open market. Statistics on the closed-end companies are compiled semi-annually by the Association as of June 30 and Dec. 31.

THE LARGEST first quarter sales of Wellington Fund shares in its history were reported Tuesday by A. J. Wilkins, Vice-President of Wellington Company, national distributors. Gross sales in the three months ended March 31, 1953 amounted to $16,425,000 for an increase of 22.3% over sales in the like period of 1952.

The Fund's report for the first quarter of 1953 showed net assets at a new high of $253,722,398 as compared with $246,183,017 on Dec. 31 1952.

Investments of the Fund on March 31 were listed in the report as follows: 63% in common stocks; 23% in investment bonds and preferreds; 3% in appreciation bonds and preferreds; and 11% in U. S. Governments and cash.

Since the first of the year, according to the report, slight reductions were made in common stocks, and corporate bonds and cash reserves were increased. The report gave this summary of the shifts in investments: The principal common stock reductions were in cyclical industries, such as automobiles, auto parts and industrial machinery; and in selected aircraft manufacturing stocks and paper stocks which were considered amply priced. The principal increases were in the more stable groups, such as food, tobacco and utility stocks, and in selected chemical stocks whose outlook was considered favorable.

"The heavy demand for capital," the report continued, "by industry and state and local governments and the increase in consumer borrowing has caused interest rates to rise and bonds and preferred stocks to decline in price. Your Fund purchased several new issues of bonds and preferred stocks at attractive yields since the first of the year. Other senior securities yielding less were sold."

NATION-WIDE Securities Company, Inc., a "balanced" fund under Calvin Bullock management, reports that on March 31, 1953, total net assets at market value amounted to $19,889,760.

The report sent to stockholders also showed that the net asset value per share of stock outstanding on March 31, was $15.76, compared with $15.44 on Sept. 30, 1952 and $15.50 on March 31, 1951.

"In the course of the strong advance in common stock prices during the past six months and prior to the recent break," the report states, "your management reduced the proportion of common stocks in the portfolio from 51.5% of net assets Sept. 30, 1952 to 48% March 31, 1953.

"It should be noted that the reduction in equity securities in the first quarter of the current year . . . took place at about the price level of Dec. 31, 1952."

During the six months' period covered by the report, newly acquired common stocks include 3,000 shares of Celanese Corporation of America, 3,000 shares of du Pont (E. I.) de Nemours & Co., 1,000 shares of Firestone Tire & Rubber Co., 4,000 shares of Pacific Lighting Corp., 2,000 shares of U. S. Steel Corp. and 1,000 shares of Western Auto Supply Co.

Additions to common stocks already held in the portfolio include 2,000 shares of Newberry (J. J.) Co. and 2,000 shares of Louisville Gas & Electric Co.

Common stock holdings of the following companies were eliminated from the portfolio: Beatrice Foods Co., C. I. T. Financial Corp., Equitable Gas Co., Iowa-Illinois Gas & Electric Co., New York Air Brake Co., Republic Steel Corp., Shamrock Oil & Gas Corp., Socony-Vacuum Oil Co., United Fruit Co., Washington Gas Light Co. and Youngstown Sheet & Tube Co.

LESS THAN a year after its inauguration, Yale's class of '30 can begin to see that its fund raising campaign making use of mutual fund donations has paid off in popularity among some 180 donors, according to Milton Fox-Martin of Kidder, Peabody & Co., and head of the class special committee raising the 25th Reunion Gift Fund.

Yale's is considered the first class gift arrangement ever made involving mutual funds.

Last year the class set an eight-year quota of collections which would lead to a $100,000 twenty-fifth reunion gift to Yale University. A special committee set the sights at $8,000 to $10,000 a year, with a new innovation: annual pledges of money for either a savings or a mutual fund account.

The first year of collections found the mutual fund the most popular account, netting about 85% of the annual pledges, said Mr. Fox-Martin, with gifts of securities taking second place.

The mutual fund arrangement was made with the Fiduciary Trust Company of New York, and the Hudson Fund, after considerable investigation of other investment media and insurance.

MASSACHUSETTS Life Fund reports total net assets of $15,848,760 March 31, 1953, equal to $28.76 per unit on 551,115.36 outstanding units. This compares with net assets of $14,875,444 at the close of March in 1952, amounting to $28.50 per unit on the 521,982.75 units then outstanding. These figures are after payment of dividends of 25 cents per unit on March 31 of this year, and the same amount per unit on March 31, 1952.

The Fund combines the principles of a trust fund and a mutual investment trust. The plan provides separate trusts for each individual investor, with the Massachusetts Hospital Life Insurance Co. as trustee.

As of March 31, 1953, the portion of the Fund's assets represented by equities was 56.23%, with 43.77% in protective-type securities.

SOVEREIGN INVESTORS reported total net assets of $678,002.94 or $8.23 a share, March 31, compared with $512,023.48 or $8.27 per share, a year earlier.

During the quarter the Fund purchased common stocks of American Chicle Co., Remington Rand, Inc., P. Lorillard Co., Columbus & So. Ohio Electric and Pennsylvania P. & L. It sold York Corp. preferred and New York Air Brake, common.

NET ASSET value per share of De Vegh Mutual Fund, Inc. during the fiscal year ended March 31, 1953, increased from $33.62 to $37.50, according to the annual report issued to stockholders by Imrie de Vegh, President. Adjusted for the distribution of long-term capital gains, the total appreciation per share for the fiscal year was 14.41% as compared to 3.86% in the Dow-Jones Industrial. During the quarter ended March 31, 1953, the net asset value per share increased from $37.03 to $37.50, or 1.3%, while the Dow-Jones Industrials decreased 4.3%.

Total net assets of the Fund rose during the fiscal year from $1,250,046 to $1,955,944 and the number of stockholders increased from 172 to 213.

On April 8, 1953, directors of the Fund declared a year-end dividend of 39 cents per share from net investment income and a distribution of $1.41 per share from long-term capital gains realized from the fiscal year that has just come to a close. In October, 1952, a dividend of 30 cents per share was paid from net investment income, making a total of 69 cents paid in income dividends with respect to the fiscal year.

Holdings of cash and government securities were increased from a low of 11.9% of net assets on Oct. 22, 1952, to 17% by Dec. 31, 1952, and to 26.5% by March 31, 1953.

Insurance stocks continue to represent the largest single group in the portfolio, accounting for 24.6% of the total assets of the Fund. The proportion invested in aircraft manufacturing stocks, bank stocks and miscellaneous industrials was reduced during the final quarter.

SALES AND TOTAL assets of Investors Syndicate of America, Inc., wholly-owned face-amount instalment investment certificate subsidiary sponsored by Investors Diversified Services, Inc., reached new highs during 1952, according to the company's annual report.

Total face-amount of I. S. A. certificates purchased by 39,501 investors in 1952 was $241,445,710, as compared with 1951 purchases of certificates with a total face-amount maturity value of $186,875,095 by 32,178 investors last year.

Number of certificate sales rose nearly 23% and total face-amount volume climbed more than 29% during 1952. As a result of this upward trend, average face-amount of all outstanding I. S. A. certificates held by investors was $5,126 at the year-end, an all-time high.

Total assets of I. S. A. rose from $189,048,829 at the end of 1951 to $226,072,626 at the close of 1952, up $37,023,797 during the year. This increase is two-and-a-half times greater than the

average annual increase in resources during the existence of I. S. A.

Total net income of $1,281,900 was allocated to earned surplus, which stood at $5,008,924 at the year-end. Yield on total investments during the year rose from 4.10% to 4.15%.

Most of I. S. A.'s assets continued to be invested in mortgages and primarily in loans insured by F. H. A. or guaranteed by the Veterans Administration. Approximately $163,000,000 were invested in mortgages in the year end.

During the year the company registered a new type of I. S. A. face-amount certificate for use by business as an investment vehicle in a new type of pension plan developed by Investors Diversified Services, Inc.

The report stated the management's belief that "improvement in housing will continue and that housing under existing Federal regulations and staunchly supported by private enterprise, pays its way."

Certificate holders were told that "there is substantial promise that the decline in the purchasing power of the dollar has been halted—perhaps reversed. Conservative fiscal policies are in the air; the outlook for a 'full-value' dollar is encouraging."

Harold Grothaus With Distributors Group

CHICAGO, Ill. — Distributors Group, Incorporated, announces that Harold H. Grothaus has been appointed as wholesale representative in Chicago and the Mid-Western States. The firm's Chicago office is located at 134 South La Salle Street.

Plans Announced for Bond Club Outing

Plans for a full day of sports and entertainment at this year's Bond Club Field Day were outlined at a dinner given for committee chairmen Wednesday evening at the Racquet and Tennis Club by Edgar J. Loftus, Field Day Chairman. The outing will take place June 5 at the Sleepy Hollow Country Club, Scarborough, N. Y.

Main events will include the annual "Bulls" and "Bears" golf tournament, a round robin tennis tournament and a horseshoe pitching contest. A new racing feature is being planned to replace the harness and midget races of previous years.

Publication plans for the Bawl Street Journal, the annual "funny paper" of the financial district, are well along and its starting disclosures are expected to rock Wall Street and Washington when it appears on June 5.

Continued from page 14

Fair Profits for Investment Bankers

the investment company part of your business, I am in a better position to discuss this phase of investment banking as one example Generally speaking, profit margins for both dealer and underwriter have been maintained on a better basis in our field than in other phases of investment banking. We have, however, recently seen numerous adjustments of dealer and underwriter profit margins and as yet no standard pattern appears to be imminent. I can only hope that before too long we will approach a standard pattern, fair to dealer and underwriter alike, somewhat akin to the situation in the insurance field. It would be unfortunate for the entire industry if the important contribution of the dealer and underwriter were jeopardized by any important reduction of overall sales charges or any disproportionate allocation of such charges between dealer and underwriter. I hope that both dealers and underwriters are convinced that this is a long-range problem and that hazard moves for temporary competitive advantage are unsound.

Circumventing Use of Normal Investment Banking Channels

In our segment of the business there is one other disturbing aspect. This is the practice engaged in by several investment companies of offering shares to the public on a basis which entirely circumvents the use of normal investment banking channels. This is of concern to you as it obviously provides no profit to the investment banker. So far, history shows that substantial growth of investment companies depends on the sales efforts of investment salesmen. The "no profit" direct-to-the-public approach reflects an unwillingness to recognize and utilize the investment banking machinery so essential to the entire American financial system.

In addition, some investment companies have seen fit to adopt a policy of allowing direct reinvestment by shareholders of regular dividends from investment income at asset value. This is another instance of circumvention of ordinary investment banking channels and of "no profit" to the investment dealer who cultivated and created the original sale of the shares.

This may seem like a relatively small item. Actually in terms of the money involved, it is not. With assets of the industry approximating $4 billion, there is a potential market from the reinvestment of ordinary dividends in the neighborhood of $150 to $200 million a year. I can well remember, and it was not too many years ago, when total sales volume in the entire industry was well under this amount. I call this matter to your attention because in principle it appears to me to be a step in the wrong direction

The investment dealers of this country will, of course, be the deciding influence with respect to how this matter is finally handled by the great majority of companies. But, I may say here that unless there is a strong change from the current attitude, our companies will continue to do business of this kind through regular investment banking channels.

In this connection, however, I wish to make a definite distinction between dividends from investment income and capital gain distributions. We regard capital gain distributions as a return of principal to the investor and not as dividends paid out of income. Accordingly, we allow shareholders to maintain their principal at work by allowing them to accept capital gain distributions in additional shares at asset value.

Although I frequently see some of you individually, I seldom have an opportunity to talk with investment bankers as a group. Accordingly, while I have this opportunity, I should like to state publicly that the investment company or mutual fund business owes a substantial debt to the investment banking profession. It is beyond question that investment companies could not possibly have attained their present size and flourishing conditions without the practical support of the investment dealers of this country. In fact, if it were not for the active cooperation of men like yourselves in the sale of investment company shares, it would have been impossible for our business to have developed to its present proportions.

A great deal of the credit for our growth to a $4 billion industry therefore belongs to you people. At the same time, I know you will grant me the privilege of saying that we people in management also feel that we have made a substantial contribution to the team effort. We fostered the idea, brought it to fruition, and resolved numerous and difficult problems of operation and administration. Your business, however, recognized the basic merit of the investment company operation and your energy and experience in the marketing of securities has been indispensable.

Underwriter's Place in Marketing Securities

Since some of you present this afternoon represent underwriting as well as selling houses, this is an appropriate occasion to refer to the underwriter's place in the marketing of investment securities. As you know so much better than I, the underwriting firm assumes many additional risks in helping to finance business and industry. In many offerings the underwriter must hazard his own capital. He must have a comprehensive knowledge of market conditions. He must also have broad vision and in particular, when undertaking to finance the development of relatively new or expanding industries, he must have a high degree of foresight as to consumer acceptance and demand of the products involved.

If he is lacking in knowledge or wisdom or less than scrupulously careful in his underwriting work, he pays the severe and costly penalty of loss of confidence and esteem both in the investment business and with the public. The underwriting house can afford to make few mistakes and this is one of the very compelling reasons why an underwriting organization is certainly entitled to an adequate profit.

The service rendered by the underwriter of investment company shares differs in many ways from that of the underwriter of other security issues in which commitment and risk factors are involved. I know from long experience, however that the investment company underwriter serves an important and necessary purpose in marketing investment company shares through investment bankers. In a large measure, the broad promotional and educational work essential to the sale of investment company shares to the public has been undertaken by these firms. They have tilled the field, as it were, in a manner which has been vital to the establishment of public confidence and the development of sound growth

What Is a Fair Profit Margin?

I have talked so much about profit margins that you may properly ask—"How much is a fair and reasonable profit?" I cannot answer that question with a simple categorical assertion and I do not believe anyone else can. I can give you this answer, however. In any well-managed business a fair profit provides a sufficient return so that the business is in a healthy and thriving condition. No business of any kind can remain healthy if its margin of profit is barely above the subsistence level. On the other hand, the need for an adequate profit does not entitle any of us to reach for unreasonble profits.

I want to make it prefectly clear here that my remarks with respect to maintaining adequate profit margins should not be taken as a veiled criticism of the SEC in any sense of the word. Occasionally, I hear the remark that the SEC has cut down or should I say "trimmed" the profits in investment banking today. I suppose that this is unqestionably true with respect to any inordinate profits which may have been exacted in times past. However, to give credit where credit is due, is it not also true that in addition to affording protection to the individual investor, the SEC has been a source of protection for the investment banking business generally by effectively curbing the unfair and unscrupulous practices of some elements of the industry?

Is it not true, too, that few, if any, investment bankers who are sound and fairminded in their thinking would choose to return to the so-called "good old days" when unjustifiable profits were sometimes made at the expense of the investor? Some of us may have had our tilting contests and our personal differences with the SEC, but I venture to remark that most of us would vote to support the basic concept of some form of regulation of the securities business, if the matter were ever put to our vote.

Before I conclude let me turn back for a minute or two to the basic idea of this address. I think it can be summed up in two statements. The first is that your business — the investment banking business—is a necessary and important wheel in the vast machine which we call American business. If that machine is to function properly and profitably your business must have adequate margins of profit. We must therefore all be alert to any trends or developments which threaten to weaken a sound profit margin structure.

My second thought is that amid the welter of conflicting and contradictory words which assail our ears in these times, we should not forget that it is the profit motive which energizes our entire economy. The Scriptures remind us that "Man does not live by bread alone" and this is true. Men work for inner satisfactions and for the sense of accomplishment that goes with work well done. At the same time, in the practical world of affairs the attainment of profit is the driving force behind the will to achievement. In your business and mine, profit is not only important for satisfaction, it is necessary for survival

COMING EVENTS

In Investment Field

April 30-May 1, 1953 (St. Louis, Mo.)
St. Louis Municipal Dealers Group annual outing.

May 6-9, 1953 (San Antonio, Tex.)
Texas Group Investment Bankers Association of America Spring Meeting at the Fort Clark Ranch, Brackettville, Texas.

May 8, 1953 (New York City)
Security Traders Association of New York dinner at the Waldorf-Astoria.

May 11-13, 1953 (St. Louis, Mo.)
Association of Stock Exchange Firms Board of Governors Meeting.

May 13-16, 1953 (White Sulphur Springs, W. Va.)
Investment Bankers Association of America Spring meeting at the Greenbrier Hotel.

May 15, 1953 (Baltimore, Md.)
Baltimore Security Traders Association 18th Annual Spring Outing at the Country Club of Maryland.

June 1, 1953 (Chicago, Ill.)
Midwest Stock Exchange Annual Election.

June 2, 1953 (Detroit, Mich.)
Bond Club of Detroit annual summer golf party at the Meadowbrook Country Club.

June 3-4, 1953 (Minneapolis-St. Paul, Minn.)
Twin City Bond Club annual picnic at the White Bear Yacht Club.

June 5, 1953 (Chicago, Ill.)
Bond Club of Chicago 40th annual field day at the Knollwood Club, Lake Forest.

June 5, 1953 (New York City)
Bond Club of New York Annual Field Day at Sleepy Hollow Country Club.

June 10-13, 1953 (Bigwin, Ontario, Canada)
Investment Dealers' Association of Canada Annual Convention, Bigwin Inn, Lake of Bays District.

June 12, 1953 (New York City)
Municipal Bond Club of New York Annual Field Day at the Westchester Country Club and Beach Club, Rye, N. Y.

June 12, 1953 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual summer outing at the Whitemarsh Valley Country Club.

June 18, 1953 (New York City)
New York Security Dealers Association Annual Outing at the Pelham Country Club.

June 19, 1953 (New Jersey)
Bond Club of New Jersey annual field day at Rock Spring Club.

June 25-26, 1953 (Cincinnati, Ohio)
Municipal Bond Dealers Group of Cincinnati annual party at the Kenwood Country Club.

June 27, 1953 (Chicago, Ill.)
Chicago Bond Traders Club Annual Spring Outing at the Nordic Country Club.

Aug. 20-21, 1953 (Denver, Colo.)
IBA Rocky Mountain Group-Bond Club of Denver annual summer frolic at Albany Hotel (Aug. 20) and Park Hill Country Club (Aug. 21).

Sept. 16-19, 1953 (Sun Valley, Ida.)
National Security Traders Association 20th Annual Convention.

Continued from first page

Outlook for Business And Investments

feel absolutely sure about his analysis, but so is medicine unsure and we have decided that the doctors may remain in our civilization.

That brings me to my diagnosis.

You don't have to be an economist to know the three most important things there are to know about the present situation. First, you know we are in a boom. Second, it is an old boom. Third, there is one thing which all booms have in common, namely, they don't last.

In broad perspective, one may date this boom from 1942. This boom has had everything a well fed boom should wish.

First—A great increase in the supply of spending money as government financed World War II partly by selling bonds to banks.

Second—A wartime accumulated pent-up demand for civilian goods.

Third — Postwar reconstruction demand from business, civilians, municipalities, and foreign countries.

Fourth—The amazing postwar rise in the birth rate and the increase in aged people, which raised the population by an amount equal to that of New York State and New Jersey combined and added enormously to the demand for goods and services.

Fifth — The changing structure of the population which increased those too young or too old to work out of proportion to the labor force which remained relatively static. The smaller proportion of labor force was presented with the problem of producing for a larger proportion of young and old who consumed quantities of products at a rate compatible with the American tradition. It was necessary to increase the production per hour worked. To do so necessitated vast expenditures for more efficient plant and mechanical labor-saving devices, fertilizer, etc. New frontiers of science were being developed constantly.

Sixth—The cheap money policies of the authorities made it easy to raise funds for spending.

Seventh—The Korean invasion then started a longer boom and sparked inflation fears and a scramble for goods, as well as giving the man in the street confidence that his job was secure in the prospect of producing both guns and butter. The birth rate entered another period of expansion.

Some Weakening of the Structure

This old boom has been propped up and shored up by one stimulus after another for over a decade. From whence will the next stimulus come? Maybe I will see it coming tomorrow. As a working basis today, I must assume there will not be one large enough to give the present high level of business activity a new start in life. I must assume some weakening in the structure, some change in direction, a period of testing. America will continue to progress and expand but booms have a habit of getting ahead of themselves temporarily and when they do one should be cautious.

What is the present situation to which this long period of general prosperity has led? Productive plant has expanded about enough to give us guns and butter to such an extent that more competition already exists in most sections of industry and about 60% of business is experiencing a measure of readjustment.

It is obvious that one of the greater stimuli to general business and the confidence of the citizens is the expenditure which is made by business itself for expansion of plant and equipment. Industry is making expenditures for plant and equipment expansion at an annual rate of about $28 billion. This spending has necessitated heavy business borrowing. Based upon historical experience it would appear that the spending for plant and equipment is about 30% higher than one should expect in relation to the volume of business being done. Not since 1920 has the business expansion been so high in relation to the total value of all production. It is four times the 1940 rate. One might say that business expenditures are about $7 billion too high to be maintained indefinitely. The removal of a $7 billion stimulus would be felt. As a matter of fact, such business expenditures might go considerably under the theoretical normal once a decline gets underway.

Government spending is the stimulus which most people think about. Even before the recent peace talk it was scheduled to decline a little. It seems to have passed its peak of an annual rate of $53 billion already. The Washington Administration is doing its best to reduce it. How successful it will be is not known. Estimates of how much defense spending will be cut range from $2 to $5 billion. Whatever it is it will be that much less spending stimulation to the economy. I'm not going to talk about the chances of peace because no one knows enough about Russia. I only want to point out that the trend of defense spending is downward.

Now we come to the other great and, in fact, the greatest spending group, namely, the public. It is the greatest spender and on its desire and ability to spend depends the trend. We talk about $28 billion of business spending for plant expansion and $50 billion of defense spending but consumers are spending at the rate of about $225 billion. In the last analysis what business spends will be governed by the amount of consumer spending.

The future trend of consumer spending is always difficult to determine. However, I may offer a few comments. I don't know what you ladies are going to do with your next income. What you do with it will have a bearing on how much industry spends for productive capacity expansion. We do know that consumer spending has not been high enough to prevent 60% of industry from meeting such stiff competition that it considers itself in a recession. The consumer purchases of housing have been such that there is more floor space per capita and in better condition than ever before in history. He is well fed to the point that agricultural product prices are declining. He is well clothed to the point that the textile and shoe businesses have been in a slump. American industry has produced guns and butter. Surplus butter is being bought by government and defense expenditures are declining.

At present the consumer's heavy buying of durable goods, cars, household equipment, television, etc., together with government buying of defense hardware are the principal supports of such a high level of activity that we call it a boom. When will the present enormous production of civilian and government hardware more than satisfy demand at current prices and bring a readjustment in those lines too? Probably not many months unless strikes intervene. At current price levels, the consumer is indebting himself too rapidly to sustain buying at the recent pace throughout the year.

The Debt Situation

Let us examine the overall debt situation. We are in one of the great credit cycles of history. Most people vehemently affirm that debt of the Federal Government is too high. But since 1945 it is individuals, business, and municipalities which have unbalanced their budgets and have thrown the "pay as you go" principle into discard. Since 1945, individual debts have risen $80 billion, corporation debts $80 billion also, and municipal debts $14 billion. Total non-Federal debts have risen $174 billion. Without the creation of these debts to buy goods and services, there would have been no business boom.

Finally, debt which is so easily created and paid with such difficulty becomes burdensome, buying tapers off, and the credit cycle is ended. We don't know how heavy the burden must be before this happens. We do know that consumer credits at 10% of National Spendable Income are about as high as at any prosperous time for which we have a record. We do know that mandatory savings, that is the total of life insurance premiums, personal interest payments, amortization of mortgage and consumer credits, those items which constitute the individual's overhead and decrease his ability to make new purchases, are about 14.5% of National Spendable Income and at the point where the consumer has slowed down on buying in the past. Seventy percent of cars are being bought on borrowed money.

Corporations have borrowed and spent so much that their ratio of common stock and surplus to liabilities and reserves, which was 251% in 1926 and 305% in 1938, is only 166% now.

Notwithstanding the enormous consumer and government buying, the productive capacity of industry has expanded to the point where unsold inventories of hard goods are piling up. Probably there are around 700,000 unsold cars on dealers' hands. My firm and others have estimated the basic demand for television sets at about 5.5 to 7 million per annum, but for a number of weeks production approximatel a 10 million set rate. Business inventories are probably $3 billion too high in relation to the volume of sales and sales are apt to decline.

The only important new stimulus I can think of is tax reduction, which seems likely. The effect would be temporary and it could not be large enough to control the economic trend for a very long time. Tax reduction to the extent we may hope for should be regarded as a cushion rather than as an instrument to start or maintain a trend.

In the above, the reasons for expecting a change in the economy have been arranged and presented. Please do not think I am building a case for a depression. There are cushioning forces which will help to prevent a business reaction from going too far. The population trends will be with us but not quite so strongly as in the past seven years. Government and Federal Reserve policy would change and be helpful if a depression threatened. During the campaign, President Eisenhower promised to throw the book at any depression. The Federal Reserve is known to be ready to change monetary policy if necessary. Development of the frontiers of science carry an unknown meaning. We don't know what atomic energy will do, but we do know what electricity, chemistry, and the internal combustion engine have done to stimulate business. The very long range trend of the American economy is upward.

Is Business Activity Going Too Fast?

My purpose is to point to caution signals and suspect that business activity is going too fast. Industrial profit margins could decline more than the index of prosperity. A moderate decline in gross earnings is likely to result in a much greater fall in net. This could be reflected in earnings on stocks rather rapidly, especially since so much debt has been created. Debt magnifies the earning trend whether it is up or down. It is like buying stocks on margin. It would not be nice for a period of readjustment to come just after the stock market has reached the highest point in 22 years. It would be nice for those who have bought bonds if the debt cycle should run its course and borrowing decline, now that the bond market is at the lowest point in 15 years. May I borrow a paraphrase from 1931 and say, "Gentlemen prefer bonds"?

One reason the stock market has been so high is that corporations have not followed past precepts and sold stock issues to raise new money for expansion to the extent they used to when the stock market rose. Had they done so, there would have been three times as many new stocks offered as there were during the last three years. This would have meant between $6 and $8 billion more stocks than were offered. Personally, I don't think there would have been a bull market had this been the case. The investment trust, insurance company, pension fund, etc., buying could not have offset that. Not only is there the factor of stock supply, but there is the leverage factor which tends to magnify common stock earnings when there is heavy debt and not much stock. But leverage works both ways.

Since bonds instead of stocks were sold, you see one important reason why the bond market is in such a low estate. The tax law which exempts debt interest from excessive tax is the reason. Every debt cycle has had an apparent good reason but that doesn't make debts easier to pay when business conditions deteriorate. Fundamentally, the bondholder as a creditor is on the receiving side, while the stockholder as an owner of the business is on the paying side of debt.

Many people have preferred stocks as an inflation hedge. But the purchasing power of the dollar, as measured by the Bureau of Labor Statistics Wholesale Price Index, rose about 3% last year and is likely to gain another 3% this year. As a working basis for present purposes, inflation should be considered to have died last year.

The Dow-Jones Industrial stocks yield about 5.40%. Rising bond yields are giving them more competition. Some pretty good preferred stocks yield within a half of 1% of that. It doesn't take much of an income tax bracket for many municipals to beat the after-tax income on stocks. In the meantime the principal is much safer. In a 50% tax bracket, a 2½% municipal yields 5% equivalent. In a 75% bracket, it is 10% and there are some pretty good tax-free bonds yielding far over 2.50%. In an 80% tax bracket, a 3% tax-free bond yields the equivalent of 15%.

Some people are afraid to buy bonds, thinking that Government funding of its debt will depress the market. I do not believe that the vigorous extension of Government maturities is nearly so controlling as the trend of individual and business borrowings, which have increased their debts $160 billion since 1945 and about $110 billion since the Korean invasion. It is the extent to which the business prosperity has gone which has made a sick bond market.

Present Outlook Spells Caution in Stock Market

The present situation and the outlook spells caution in the stock market. It is recommended that investment portfolios maintain a conservative balance between stocks, stock buying reserve, and bonds, and that sound diversification principles be sustained. It is recommended that bonds be held in higher esteem than in the past many years.

With that portion of investments which should be in stocks for the very long pull, one may emphasize:

Tobaccos, which will have a new army of customers when the postwar crop of babies grow up.

The soft drink business has a good underpinning beginning now. The crop of babies born in 1947 are turning six years old and starting to drink the stuff in volume. The basic market for soft drinks will rise for at least the balance of this decade of the 1950's.

The large increase in the aging population and new discoveries brightens the outlook for drugs.

The food and textile industries are benefited by the overall population rise.

The chemical industry represents a new frontier of science and is a growth industry, even though it probably is headed for stiffer competition for the time being.

The same reasoning applies to electrical equipments.

Although regulated, the public utility group is a growth industry and is good for income and for a higher than average resistance to any future recession.

Obviously, retail trade is a beneficiary of population trends.

Population trends aid labor-saving devices such as agricultural machinery, fertilizer, industrial machinery, and office machinery, but they tend to be cyclical. However, the phenomenon of a relatively small labor force in proportion to total population will not be changed before 1965.

Among industrials, public works machinery and supplies have a cushion in the pent-up demand for roads, schools, etc. Highway expansion has lagged far behind the increased automobile population. The peak of public school population will not be reached until 1960. Public works are expected to expand if a depression is threatened. They will proceed at a high rate anyway.

These are the high spots. I'm sorry I can't say which way the stock market will move next. I have been in this business only 30 years. Give me time.

Conclusion

In summary:

(1) We are in a very old boom and booms don't last. There has been a long succession of stimuli. Aside from the temporary effect of probable tax reduction, one cannot foresee another major stimulus.

(2) Present boom levels are sustained by extraordinary activity in defense, industrial expansion of plant and equipment, and consumer durable goods. Most other divisions of industry are having some degree of readjustment already.

(3) There has been over-borrowing by Government, industry, and individuals.

(4) It is probable that industry, individuals, and the Federal Government will spend less and borrow less before long. Debt is becoming too burdensome for the present spending pace to continue.

(5) There are too many cushioning factors for one to make a case for an important and protracted depression. The latter part

of the decade of the 1950's is expected to be one of dynamic growth for America. In the nearer future it is a period of temporary change of direction, a period of consolidation and wholesome testing which we are expecting.

(6) The stock market is high and the bond market low for obvious reasons. The basic causes bid fair to change. "Gentlemen prefer bonds." In many portfolios, more emphasis should be given to the bond division.

(7) A good cash or cash equivalent reserve, ideally, should be maintained for future common stock buying.

(8) Within the bounds of adequate diversification, the common stock division may emphasize economic factors such as population changes, scientific research, public works expansion in recessions as well as in prosperity, etc.

Livingstone, Crouse Offer Detroit Testing Laboratory Stock

S. R. Livingstone, Crouse & Co., Detroit, Mich., are offering publicly 150,000 shares of common stock (par $1) of Detroit Testing Laboratory, Inc., with warrants to purchase 150,000 shares of additional common stock, in units of one share and one warrant, at $2 per unit.

The net proceeds are to be used to retire present outstanding mortgage and notes, to purchase additional equipment and for working capital.

Detroit Testing Laboratory, Inc. has been engaged continuously for the past 50 years in the operation of a scientific laboratory offering professional service to clients. Its present service includes the analysis and testing of a wide range of materials and products, quality control, and also comprehensive research and development in many technical fields. Its scope embraces such functions as chemical, metallurgical and mechanical engineering; organic, inorganic and bio-chemistry; physical, environmental and functional testing; and fundamental scientific procedures in physics, measurements and mathematics.

A. R. Nowell Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—George Backman has been added to the staff of A. R. Nowell & Co., 400 Montgomery Street.

A. M. Kidder Co. Adds

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—James H. Gaff is now with A. M. Kidder & Co., 207 East Las Olas Boulevard.

With Roman & Johnson

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—John L. Hanley is now affiliated with Roman and Johnson, 235 Southeast Fifth Avenue.

With Penington, Colket

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Mrs. Lora E. Foster has joined the staff of Penington, Colket & Co., 401 36th Avenue, N. E.

With Straus, Blosser

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Irving Wolf has been added to the staff of Straus, Blosser & McDowell, 135 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Continued from page 5

The State of Trade and Industry

in four weeks since March 31, and there is no assurance the decline has been arrested.

Though falling scrap prices are sometimes a barometer of future decline in ingot production, points out this trade authority, there is no reason to believe it will turn out that way this time. Extreme shortage of scrap in 1951-52 had pegged prices high. Scrap drives last year and mild winter weather have helped overcome the shortage. Despite high steel production, scrap stocks are comfortable.

Interest charged on loans to business firms with the best credit ratings was raised from 3% to 3¼% or the highest point in 19 years. This step was taken by many banks in New York, Chicago and Philadelphia with institutions in other major cities expected to follow.

This action, it is understood, means higher interest costs for all commercial borrowers; rates for less well-known concerns are scaled upward from the prime rate.

Steel Output Scheduled to Rise to 100.3% of Capacity This Week

Watch steel demand for a clue as to how much steel prices will be raised, says "Steel," the weekly magazine of metalworking, the current week.

Spokesmen for a number of the steel companies have, in the last few weeks, been building up a case for a general increase in steel prices. Since end of government price control, any price increases on steel have been merely adjustments on a few products. Republic Steel Corp. last week made adjustments, most of them upward, in extras on hot-rolled and cold-finished carbon steel bars. Extras are charges in addition to base prices, for such things as specific qualities and sizes and special handling. Base prices were not altered, states this trade weekly.

Although the steel industry's low and declining rate of earnings gives it good grounds for thinking about a general price increase, such as would affect all products and their base prices, it has been reluctant to make such a boost. The immediate deterrents are the public and government reaction to a general increase so soon after restoration of price freedom and the inflationary effect it would have on the approaching wage negotiations with the steelworkers, continues this trade magazine.

Despite the outcome of wage talks, the industry will be influenced to a considerable degree by the then current and prospective demand for steel. A trend toward a buyers' market would inject conservatism in any deliberations on price hikes. An apparently insatiable demand of today can be sluggish less than a year hence, concludes "Steel" magazine.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 100.3% of capacity for the week beginning April 27, 1953, equivalent to 2,262,000 tons of ingots and steel for castings. In the week starting April 20, output totaled 2,276,000 tons with the operating rate at an average of 101.0% of capacity. For the like week a month ago the rate was 97.1% and production 2,190,000 tons. A year ago when the capacity was smaller actual output declined to 1,083,000 tons, or 52.1%, due to a brief strike.

Electric Output Drops Below Preceding Week

The amount of electric energy distributed by the electric light and power industry for the week ended April 25, 1953, was estimated at 8,015,707,000 kwh., according to the Edison Electric Institute.

The current total was 97,262,000 kwh. below that of the preceding week when output totaled 8,112,969,000 kwh. It was 880,863,000 kwh., or 12.3% above the total output for the week ended April 26, 1952, and 1,342,202,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Advance 4.2% Over Previous Week

Loadings of revenue freight for the week ended April 18, 1953, totaled 751,628 cars, according to the Association of American Railroads, representing an increase of 30,489 cars or 4.2% above the preceding week.

The week's total represented an increase of 16,559 cars, or 2.3% above the corresponding week a year ago, but a decrease of 58,394 cars, or 7.2% below the corresponding week in 1951.

U. S. Auto Output Rises 20% Above Preceding Week

Passenger car production in the United States last week rose 20% over the previous week to its highest point in 26 months. It was 52% higher than the like 1952 week, according to "Ward's Automotive Reports."

It aggregated 148,377 cars compared with 123,889 cars (revised) in the previous week when output was curtailed by strikes and material shortages, and 97,828 cars turned out in the year ago week.

Total output for the past week was made up of 148,377 cars and 30,881 trucks built in the United States, against 123,889 cars and 26,753 trucks the previous week and 97,828 cars and 27,004 trucks in the comparable 1952 week.

Business Failures Edge Lower

Commercial and industrial failures dipped to 159 in the week ended April 23 from 165 in the preceding week, according to Dun & Bradstreet, Inc. While casualties were slightly lower than a year ago when 168 occurred or in 1951 when the toll was 162, they were down sharply, 51%, from the prewar level of 326 in the similar week of 1939.

Among failures involving liabilities of $5,000 or more, a mild decline to 132 from 136 took place, but they exceeded last year's total or 127 for this size group. Small casualties, those with liabilities under $5,000, dipped to 27 from 29 in the previous week and fell considerably below their 1952 total of 41.

Wholesale Food Price Index Extends Moderate Rise

A further moderate rise in the Dun & Bradstreet wholesale food price index last week brought the April 21 figure to $6.38, the highest in four weeks. This was an increase of 0.5% over the $6.35 a week ago, and 1.1% above the corresponding 1952 index at $6.31. It marked the first gain over the year-ago level since the final week of November, 1951.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Continues Mildly Lower

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved in a narrow range the past week and closed slightly below a week ago. The index finished at 278.49 on April 17, as compared with 279.37 a week earlier, and with 297.69 on the like date a year ago.

Grain markets were nervous and unsettled last week largely due to the progress of peace moves and more favorable crop prospects as the result of needed moisture in the northern and central portions of the Great Plains and Rocky Mountain regions.

Wheat suffered the greatest losses as both export and domestic demand continued slow.

Other depressing influence in wheat included lagging flour trade, the larger than expected increase in the April 1 crop forecast, and the withdrawal of Great Britain from the International Wheat Agreement.

Corn showed considerable resistance to selling pressure as buying improved following publication of visible supply figures showing a drop of 2,932,000 bushels in the week. Despite further Canadian imports, oats prices were somewhat firmer on the expectation that there will be a curb on imports of oats and rye from that country. Average daily purchases of grain and soybean futures on the Chicago Board of Trade increased in the preceding week, and totaled 44,800,000 bushels, against 34,500,000 the week before, and 46,600,000 in the corresponding week last year.

Domestic bookings of hard wheat bakery flours continued small last week as buyers held to the sidelines in anticipation of lower prices.

Cotton prices moved in very narrow trading limits last week. Mill price-fixing and short covering helped to sustain values while the prospect of large plantings, quietness in cotton gray foods and slow cotton exports continued as bearish influences.

Sales activity in spot markets dropped below that of a week ago and the like week a year ago.

CCC loan entries in the week ended April 10 were reported at 31,800 bales, a rise of 10,000 over a week previous. Mill consumption of cotton during March, according to the Bureau of the Census, totaled 772,000 bales. This represented an average of 38,600 bales per working day, as compared with 38,900 in the February period, and 36,800 in March a year ago.

Trade Volume Holds Unchanged From Preceding Week

Retail trade in most parts of the nation in the period ended on Wednesday of last week was about on a par with the prior week. The rise in temperatures in the latter part of the week did much to lift shopping which had been hampered by inclement weather. Most retailers scored gains over the sales figures of a year ago when a post-holiday lull prevailed.

Outlying stores generally chalked up more favorable year-to-year comparisons than did large urban department stores. Relaxed credit terms helped to bolster volume in many lines but retailers were more circumspect about granting credit than in recent months.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 2 to 6% higher than the level of a year earlier. Regional estimates varied from a year-ago level by the following percentages: New England 0 to +4; East +1 to +5; Midwest and Northwest +2 to +6; South and Southwest +4 to +8 and Pacific Coast +3 to +7.

Shoppers displayed increased interest in household goods the past week and continued to buy more than in the similar week a year ago.

Early interest in small air conditioners encouraged many retailers to anticipate record sales in the months ahead. In strong demand were giftware, bedding, floor coverings, and decorating materials.

The volume of trading in most of the nation's wholesale markets, in the period ended on Wednesday of last week, did not vary markedly from the high level of the prior week.

As during recent months, the total dollar volume of wholesale trade continued to surpass that of a year earlier.

The recent apprehension about future market conditions appeared to be somewhat lessened last week. The most pronounced gains in ordering over the year-ago level were in consumer durable goods. Total inventories remained about even with the level of a year before.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended April 18, 1953, increased 8% above the level of the preceding week. In the previous week a decline of 13% was reported from that of the similar week of 1952. For the four weeks ended April 18, 1953, an increase of 3% was reported. For the period Jan. 1 to April 18, 1953, department store sales registered an increase of 5% above 1952.

Retail trade sales volume in New York the past week held about even with the corresponding period one year ago. Low temperatures tended to retard spring purchases.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended April 18, 1953, registered a rise of 3% from the like period of last year. In the preceding week a decline of 19% (revised) was reported from that of the similar week of 1952, while for the four weeks ended April 18, 1953, a decrease of 4% was recorded. For the period Jan. 1 to April 18, 1953, volume declined 2% under that of 1952.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	May 3	§100.3	*101.0	97.1	52.1
Equivalent to—					
Steel ingots and castings (net tons)	May 3	§2,262,000	*2,276,000	2,190,000	1,083,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Apr. 18	6,280,500	6,267,750	6,488,900	6,365,500
Crude runs to stills—daily average (bbls.)	Apr. 18	¶6,686,000	6,705,000	7,099,000	6,501,000
Gasoline output (bbls.)	Apr. 18	22,736,000	22,503,000	23,256,000	21,303,000
Kerosene output (bbls.)	Apr. 18	2,656,000	2,678,000	2,866,000	2,720,000
Distillate fuel oil output (bbls.)	Apr. 18	9,561,000	9,790,000	10,338,000	9,123,000
Residual fuel oil output (bbls.)	Apr. 18	8,701,000	8,723,000	8,944,000	8,958,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 18	157,942,000	161,207,000	163,324,000	157,392,000
Kerosene (bbls.) at	Apr. 18	19,685,000	19,075,000	18,492,000	17,321,000
Distillate fuel oil (bbls.) at	Apr. 18	61,738,000	60,972,000	59,751,000	49,358,000
Residual fuel oil (bbls.) at	Apr. 18	39,855,000	40,663,000	41,844,000	36,828,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 18	751,628	721,139	701,142	735,069
Revenue freight received from connections (no. of cars)	Apr. 18	656,899	646,149	671,669	615,829
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Apr. 23	$287,981,000	$275,001,000	$344,055,000	$371,079,000
Private construction	Apr. 23	169,303,000	148,335,000	233,623,000	186,185,000
Public construction	Apr. 23	118,678,000	126,666,000	110,432,000	184,894,000
State and municipal	Apr. 23	92,980,000	95,002,000	80,644,000	130,664,000
Federal	Apr. 23	25,698,000	31,664,000	29,788,000	54,230,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 18	8,700,000	*8,460,000	8,120,000	9,189,000
Pennsylvania anthracite (tons)	Apr. 18	439,000	448,000	524,000	714,000
Beehive coke (tons)	Apr. 18	122,400	122,900	115,200	106,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Apr. 18	105	97	109	97
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Apr. 25	8,015,707	8,112,969	8,074,521	7,134,844
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Apr. 23	159	165	188	168
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 21	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Apr. 21	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Apr. 21	$41.00	$42.75	$44.25	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Apr. 22	29.700c	30.400c	29.800c	24.200c
Export refinery at	Apr. 22	33.825c	33.675c	34.600c	27.425c
Straits tin (New York) at	Apr. 22	93.500c	95.000c	121.500c	121.500c
Lead (New York) at	Apr. 22	12.000c	12.500c	13.500c	19.000c
Lead (St. Louis) at	Apr. 22	11.800c	12.300c	13.300c	18.800c
Zinc (East St. Louis) at	Apr. 22	11.000c	11.000c	11.000c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Apr. 28	92.79	93.20	93.81	98.79
Average corporate	Apr. 28	105.0	105.52	107.09	110.15
Aaa	Apr. 28	108.16	108.52	110.34	114.66
Aa	Apr. 28	106.74	107.27	109.06	113.12
A	Apr. 28	104.48	104.83	106.21	109.60
Baa	Apr. 28	100.98	101.64	102.80	103.97
Railroad Group	Apr. 28	103.13	103.80	105.00	107.44
Public Utilities Group	Apr. 28	104.48	104.66	106.39	109.60
Industrials Group	Apr. 28	107.62	108.16	109.60	113.89
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Apr. 28	3.03	2.99	2.95	2.58
Average corporate	Apr. 28	3.45	3.42	3.33	3.16
Aaa	Apr. 28	3.27	3.25	3.15	2.92
Aa	Apr. 28	3.35	3.32	3.22	3.00
A	Apr. 28	3.48	3.46	3.38	3.19
Baa	Apr. 28	3.69	3.65	3.58	3.51
Railroad Group	Apr. 28	3.56	3.52	3.45	3.31
Public Utilities Group	Apr. 28	3.48	3.47	3.37	3.19
Industrials Group	Apr. 28	3.30	3.27	3.19	2.96
MOODY'S COMMODITY INDEX	Apr. 28	418.8	416.7	418.6	429.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 18	223,515	223,165	207,239	163,623
Production (tons)	Apr. 18	252,496	235,635	247,375	196,697
Percentage of activity	Apr. 18	96	90	95	81
Unfilled orders (tons) at end of period	Apr. 18	523,178	554,127	476,361	389,115
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Apr. 24	106.64	107.10	107.33	109.82
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Apr. 11	39,954	32,698	29,215	28,355
Number of shares	Apr. 11	1,109,442	927,029	843,085	808,378
Dollar value	Apr. 11	$42,645,270	$40,150,266	$38,802,107	$36,359,544
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Apr. 11	35,234	31,172	29,534	22,895
Customers' short sales	Apr. 11	265	229	130	177
Customers' other sales	Apr. 11	34,069	30,943	29,404	22,718
Number of shares—Total sales	Apr. 11	1,021,506	910,364	819,250	657,482
Customers' short sales	Apr. 11	9,870	7,517	4,860	8,064
Customers' other sales	Apr. 11	1,011,636	902,847	814,384	649,418
Dollar value	Apr. 11	$38,154,956	$36,563,744	$32,666,549	$28,108,492
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 11	294,980	279,970	267,480	168,040
Short sales	Apr. 11	------	------	------	------
Other sales	Apr. 11	294,980	279,970	267,480	168,040
Round-lot purchases by dealers—					
Number of shares	Apr. 11	364,500	278,550	302,770	348,230
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Apr. 4	305,510	385,390	347,570	299,230
Other sales	Apr. 4	10,070,000	9,731,330	8,829,340	8,376,490
Total sales	Apr. 4	10,375,510	10,116,720	9,176,910	8,675,720
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Apr. 4	1,201,050	1,010,130	999,650	944,200
Short sales	Apr. 4	131,920	179,880	167,060	157,040
Other sales	Apr. 4	978,440	860,170	759,240	837,200
Total sales	Apr. 4	1,110,360	1,040,050	926,300	994,240
Other transactions initiated on the floor—					
Total purchases	Apr. 4	349,700	335,360	272,820	230,800
Short sales	Apr. 4	25,100	32,900	13,200	24,400
Other sales	Apr. 4	333,200	290,230	247,780	283,300
Total sales	Apr. 4	358,300	323,130	260,980	307,700
Other transactions initiated off the floor—					
Total purchases	Apr. 4	329,240	431,865	286,200	327,365
Short sales	Apr. 4	35,040	74,090	72,340	41,200
Other sales	Apr. 4	337,700	425,760	384,435	419,125
Total sales	Apr. 4	372,740	499,850	456,775	460,325
Total round-lot transactions for account of members—					
Total purchases	Apr. 4	1,879,990	1,777,355	1,558,670	1,502,365
Short sales	Apr. 4	192,060	286,870	252,600	222,640
Other sales	Apr. 4	1,649,340	1,576,160	1,391,455	1,539,625
Total sales	Apr. 4	1,841,400	1,863,030	1,644,055	1,762,265
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Apr. 21	109.7	109.5	110.0	111.3
Farm products	Apr. 21	98.6	98.0	99.0	106.7
Processed foods	Apr. 21	104.3	103.4	105.0	107.7
Meats	Apr. 21	91.1	*88.5	94.7	111.4
All commodities other than farm and foods	Apr. 21	113.2	113.3	113.4	113.1

*Revised figure. ¶Includes 622,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons.

	Latest Month	Previous Month	Year Ago
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of March:			
New England	$22,326,400	$11,591,366	$28,734,964
Middle Atlantic	79,820,352	51,510,508	75,177,630
South Atlantic	40,081,079	38,474,136	26,600,025
East Central	89,989,389	77,599,329	80,141,306
South Central	74,761,195	53,630,948	62,408,618
West Central	26,885,750	17,339,392	18,254,853
Mountain	16,186,678	13,685,808	10,132,597
Pacific	118,082,185	72,559,515	53,820,598
Total United States	$468,133,028	$336,391,002	$350,270,591
New York City	42,546,378	27,394,212	31,535,059
Outside New York City	425,586,650	308,996,790	318,735,532
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of Feb.: (millions of dollars):			
Manufacturing	$43,865	*$43,766	$43,168
Wholesale	10,098	*10,039	10,036
Retail	21,006	*20,814	20,625
Total	$74,969	*$74,610	$73,829
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term Credit in millions as of Feb. 28:			
Total consumer credit	$23,521	*$23,676	$19,717
Instalment credit	16,689	*16,538	13,185
Sale credit	9,460	*9,365	7,158
Automobile	5,452	*5,300	3,927
Other	4,008	*4,065	3,231
Loan credit	7,229	*7,173	6,027
Noninstalment credit	6,832	*7,138	6,532
Charge accounts	4,060	*4,397	3,967
Single payment loans	1,607	*1,579	1,448
Service credit	1,165	*1,162	1,117
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC. (1947-1949=100)—Month of March	137.1	*130.9	123.6
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on March 28	22,958,000	23,075,000	21,360,000
Spinning spindles active on March 28	20,221,000	20,237,000	20,102,000
Active spindle hours (000's omitted) Mar. 28	9,365,000	9,561,000	10,686,000
Active spindle hours per spindle in place Mar.	481.7	517.5	465.0
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of March:			
Weekly earnings—			
All manufacturing	$72.10	*$71.17	$66.99
Durable goods	77.70	*77.15	72.38
Nondurable goods	63.76	*62.88	59.98
Hours—			
All manufacturing	41.2	*40.9	40.6
Durable goods	42.0	*41.7	41.6
Nondurable goods	40.1	39.8	39.2
Hourly earnings—			
All manufacturing	$1.75	*$1.74	$1.65
Durable goods	1.85	*1.85	1.74
Nondurable goods	1.59	1.58	1.53
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of February:			
Death benefits	$158,593,000	$169,068,000	$148,934,000
Matured endowments	37,059,000	42,909,000	38,984,000
Disability payments	8,362,000	9,851,000	8,273,000
Annuity payments	32,946,000	42,973,000	28,819,000
Surrender values	49,000,000	53,217,000	50,648,000
Policy dividends	57,783,000	81,023,000	53,980,000
Total	$343,743,000	$399,041,000	$329,638,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of February (000's omitted):			
Ordinary	$1,702,000	$1,666,000	$1,481,000
Industrial	513,000	432,000	454,000
Group	402,000	252,000	244,000
Total	$2,617,000	$2,350,000	$2,179,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of February (millions of dollars):			
Inventories:			
Durables	$24,434	*$24,392	$23,313
Nondurables	19,430	*19,374	19,855
Total	$43,865	*$43,766	$43,168
Sales	25,288	*24,292	23,506
MONEY IN CIRCULATION—TREASURY DEPT. —As of February 28 (000's omitted)	$29,793,000	$29,691,000	$28,465,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of February (in billions):			
Total personal income	$280.4	*$280.6	$263.5
Wage and salary receipts, total	190.9	190.3	178.0
Total employer disbursement	187.4	*186.5	174.5
Commodity producing industries	85.6	*85.2	78.2
Distributing industries	50.3	*50.1	47.1
Service industries	22.1	22.1	20.9
Government	32.9	*32.9	31.8
Less employee contributions for social insurance	3.8	4.0	3.8
Other labor income	4.7	4.7	4.3
Proprietors and rental income	53.7	*54.6	52.1
Personal interest income and dividends	21.5	*21.4	20.6
Total transfer payments	13.4	13.6	12.4
Total nonagricultural income	260.5	*259.5	243.4
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — August, 1909-July, 1941=100—As of February 15:			
Unadjusted—			
All farm products	263	267	289
Crops	247	251	259
Food grain	240	245	249
Feed grain and hay	206	214	230
Tobacco	424	419	436
Cotton	255	252	313
Fruit	209	208	168
Truck crops	237	237	217
Oil-bearing crops	287	291	296
Livestock and products	277	281	317
Meat animals	305	303	377
Dairy products	286	296	317
Poultry and eggs	206	218	181
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of February (000's omitted):			
Savings and loan associations	$503,119	$476,706	$428,443
Insurance companies	109,638	111,469	114,626
Bank and trust companies	268,935	278,003	256,379
Mutual savings banks	84,268	92,827	68,843
Individuals	206,550	220,072	207,045
Miscellaneous lending institutions	218,693	221,538	195,572
Total	$1,391,203	$1,400,615	$1,270,908

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As We See It

about our attitude toward the Kremlin and Communism. Let there be no misunderstanding of our meaning. The Kremlin made monkeys of us for years, and it was able to do so because we trusted men quite unworthy of trust. We suffered heavily from the traitorous deeds of our own citizens for much the same reason. Whether the allegedly altered attitude of the masters of Russia is real, or merely another shifty tactic to take more of our hide, we do not profess to know. There is certainly no reason why we should tolerate treason in our own midst. Communism at home where it is real and where it constitutes not merely philosophical or social beliefs but is a form of subservience to a foreign power bent upon the destruction of our form of government and our type of social and political organization is definitely not to be tolerated.

But all this hardly warrants neglect of a number of pertinent facts in the current situation. Somehow, sometime we shall be obliged to take a realistic attitude and develop a realistic policy with respect to the Orient. We are not very likely to succeed in doing so if we must constantly defend ourselves against the sloganeers by always being "tough" and bragging about it—and placing toughness at the top of the list of necessary attributes of our policy. We certainly need not be and must not be weaklings; we certainly should not be "suckers," but we must look the facts fully in the face, take fully into account the strength — yes, and even the logic — of our adversaries.

Let us not deceive ourselves. We have succeeded in getting ourselves into a most awkward situation in Korea. We have undertaken a major commitment on the continent of Asia where the odds are certainly not in our favor. We could win, and win decisively on that peninsula—and still not know what to do next. We should be thousands of miles from home; the Communists, the Chinese, and the Russians are next door. We should be aliens in a land where even the color of our skins is different. It would be difficult to remain there indefinitely and yet maintain a position in the minds of the people other than that of an imperialist, an interloper and a tyrant. To stay there in sufficient force to deter later attacks from the North and to prevent intrigue from taking over within would be expensive and of doubtful ultimate value. To leave might invite a repetition of what has already occurred.

Formosa presents a problem similar in some respects. Whatever its strategic value to us, this island and the people who inhabit it are Asiatics. It is historically part of China. Weak support of the anti-Communist elements in China has resulted in China being taken over by Russian-dominated Communists. Support of Nationalist China at all has left us in a position of defending a regime which has little moral support anywhere else in the world and little strength other than what we give it to reassert itself. It would probably be an excellent thing if we could turn time backward in its flight at least as respects China and make drastic changes while there was yet time in our attitude and activity there. Since that can not be done, we must somehow as best we can review, reconsider and probably reshape our policy toward Formosa and China. At least all this would be true if events should presently prove the Communist nations reasonably sincere and in earnest about wishing to settle outstanding world issues.

The Quipsters

But any and all of these things, and even a policy of trying honestly and sincerely to find out whether the latest attitudes of Russia are sincere, are rendered doubly difficult for our statesmen in Washington by the general psychology developed by those in some quarters that currently hold the public interest, and the various slogans and political fetishes which have come into being in recent years. We sometimes think that the quipsters and the sloganeers of the New Deal and their successors and imitators did, and are doing the country more harm than their policies and programs.

This is the more true since the basic aspects of the situation described likewise affect the domestic scene at many points. We have been having it well exemplified of late in connection with the matter of ownership of oil deposits offshore. One would suppose that these resources by some divine decree belonged to the nation rather than the states. The fact is that until quite recently they were rather generally regarded as the property of the states. The same situation is seen in the attitude of many toward business, and almost any one who has succeeded or is succeeding in business. Any action which can be construed by political opponents as favoring business or those with more than average income is burdened with all the risks and political costs of offending the sloganeers.

Oh! for an end to slogans and fetishes!

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Credit and the Problem of A Sound Exchange Medium

purchasing media, the consequences flowing from these defects, and the urgently-needed corrections. It is against the background of these larger issues that the principal considerations relating to consumer credit should be appraised. And with the correction of the fundamental defects in our money and credit structure, it seems reasonable to suppose that discussions regarding the proper use of consumer credit would have a sounder foundation, than is now possible, on which to rest.

III

The Major Defects in Our Currency System

In 1933 our people were plunged into an irredeemable currency domestically. In 1934, their standard gold dollar was devalued by approximately 41%, and, in their international exchanges, they were confined to a gold bullion standard restricted to dealings with foreign central banks and governments. Our Treasury embarked upon a program of monetizing much of the Federal debt by having the Federal Reserve banks and commercial banks convert United States securities into Federal Reserve notes and deposits. During the years 1942-1952, particularly, the monetization of the Federal debt reached a virulent level. And in 1942-1943 the Treasury and Federal Reserve authorities, in violation of law, issued fiat money which at the reserve ratios then prevailing could support $9,900,000,000 of bank deposits.

IV

Some Consequences

(1) **Pronounced decline in the purchasing power of our dollar:** By March, 1951, the purchasing power of our dollar, as measured by the index of wholesale prices, had fallen to the lowest level on record since the establishment of the Federal Reserve System in 1914. Its purchasing power was 54 cents as compared with that of 1926, and 42 cents as compared with that of 1939.

Although our Federal Reserve and certain other high authorities had claimed that if they were given the freedom and power inherent in an irredeemable currency they could provide us with a dollar having greater stability in purchasing power than we had enjoyed under a redeemable currency, they never admitted the error in their contentions when the purchasing power of our dollar sank, under their management, to the lowest level on record since 1914.

(2) **Fever, chills, and intoxication:** The withdrawal from our monetary bloodstream of the gold corpuscles, which keep other money and credit corpuscles in order within limits, has produced the typical results of artificial exhilaration, fever, chills, bloating, eruptions, intoxication, depression, painful contractions, nervousness, irritability, irresponsibility, dishonesty, immorality, fear of a redeemable currency, and a multitude of other unhealthy symptoms characteristic of this disease of the economic bloodstream.

Our responses to these results have been, and are, typical: we have concerned ourselves almost exclusively with attacks on symptoms. The bloating has been widely regarded as a sign of health, the jitters as evidence of renewed vigor, the confusion from intoxication as newly-found wisdom, the depressions as proof that we need new doses of the drug of irredeemable currency.

(3) **A permeating dishonesty:** The dishonesty inherent in an irredeemable currency permeates all ramifications of our economic, social, and political system and contaminates all our people. One standard of morals is applied to our people; a lower standard is adopted by our Treasury and Federal Reserve banks. Though our body of contract law requires those who issue promises to pay to redeem them or to face the consequences in court, our United States Treasury and Federal Reserve banks have been authorized to issue billions piled upon billions of dollars of credit which they do not redeem and do not intend to redeem—except for foreign central banks and governments. This is a case of granting special privilege without exacting a corresponding responsibility. Such an arrangement has supposedly been repugnant to, and in conflict with, what we have liked to regard as the better and more honorable part of our traditions. But today, as in recent years, we do not discuss this dishonesty and double standard of morals. Though it is well established by decisions of our Supreme Court that paper money is bills of credit whose ultimate destiny is to be paid, we have reached a state of affairs in which our Treasury and Federal Reserve banks are issuing bills of credit without making any provision for their redemption in our standard gold dollar—except for foreign central banks and governments.

The fundamental dishonesty manifested here is similarly revealed in the widespread disregard by the preceding Congresses and Administration of the provisions of the United States Constitution, in the pronounced tendency of the Federal Reserve authorities to violate the provisions of the Federal Reserve Act, and in a multitude of other respects. It is a well established fact in monetary history that the disease of irredeemable currency contaminates a people and spreads dishonesty far and wide among them.

(4) **Loss by the people of control over the public purse:** Because our people cannot compel their government and banking system to redeem what is in nature their promises to pay, our government and banking system cannot be held in any effective way to an accounting. The consequence is that our government is practically free to embark upon and to maintain a spending program of any degree of profligacy that its desires may suggest. The orgy of spending by the Federal Government over the last two decades stands as a colossal monument to this important and sad truth.

(5) **Subjection of our people to an instrumentality of the dictator:** Our people have become the victims of the most potent device known, other than the use of military force, by which a government can get control of a people and subject them to such management as it may choose to exercise. Wherever one finds dictatorial government, one also finds irredeemable currency or a military force at the disposal of the dictator.

A redeemable currency is the greatest friend a free people can have; it is their most potent weapon against government tyranny. They should not relinquish this protective device to any government; and a good government would hasten to return such a power to the people where it belongs.

(6) **The loss of a valuable property right:** When our government confiscated our people's gold, beginning in 1933, it deprived them of a valuable property right and protective device. After confiscating our people's gold, the government then marked up its value on Jan. 31, 1934, by 69% and pocketed a profit of $2,800,000,000 in devalued dollars. The smaller amount paid our holders of gold in terms of irredeemable currency was regarded by our government as just compensation. This was the first time in our history that our government ever engaged in such a confiscatory transaction. When the North was forced into irredeemable currency, beginning 1861-1862, to finance the Civil War, apparently no one of responsibility, then in the Federal Government or out, assumed that it should, or could constitutionally, confiscate the people's gold. That sort of procedure had to wait until we had a government with a greater lack of regard for constitutional processes.

The consequent inability of our people to convert their wealth into gold, should they choose, as a means of safety, deprives them of a fundamentally important protective device which includes the power provided by a redeemable currency to restrain their government and Federal Reserve banks in their issuance of promises to pay. Having lost this valuable and fundamental right, our present generation, chiefly those under 35-40 years of age, having no appreciation of the great importance of this right to a people, is not disposed to fight for a restoration of what it does not understand.

(7) **Impairment of the value of our people's savings:** The depreciation in the purchasing power of our dollar, which an irredeemable currency permits and invites, has impaired the value of our people's savings to an extent poorly understood. Being a subtle device, with its deadly quality little appreciated, such a currency eats into people's savings while the economy experiences an artificial stimulation and bloating in many of its other segments. Since considerations relating to immediate sources of income appear to be uppermost in the minds of most people while savings are farther, and sometimes far, removed from people's touch, control, and consideration, their thoughts regarding current and expected income push the question of preservation of savings into the background. Realization of fact is left, for example, to the widow who finds that the insurance or other saving left her buys relatively little.

On the average holdings, for the period 1945-1951, of United States savings bonds, time deposits in all banks in the United States, and life insurance policies, the loss in purchasing power by 1951, as compared with what would have been the value in 1945 dollars, was $123,068,133,998 — a percentage loss of 39.8. The loss on those three items alone, during that period of seven years, was approximately 65 times the loss

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Credit and the Problem of A Sound Exchange Medium

of $1,901,000,000 on bank deposits for the period of 13 years, 1921-1933.

Regarding that loss on bank deposits, we still write and speak with emotion, because the loss was direct and we could understand it. Regarding a loss 65 times greater, we offer little more than innocuous platitudes which reveal our small understanding of the devastating effects of a depreciated currency.

The illusions of people when living with an irredeemable currency are a poorly understood phenomenon. The anticipations of gain, the mixture of real prosperity and of real gains for some, or for many for awhile, easily obscure the undermining maladjustments, erosions, and degeneration which build up beneath the surface of what has the appearance to superficial observers of real prosperity. Only after the hollow shell falls in on people do many of them shed their illusions as to the virtues of an irredeemable currency. We in this country today are acting as though we do not know that the longest business recession and depression in our history—that of October, 1873, to March, 1879—came under an irredeemable currency following the sharply rising prices and distortions caused by the Civil War and the use of irredeemable currency.

Furthermore, we indulge in the bad practice of presenting incomplete statistical data and analyses regarding the forces of real economic wellbeing and of economic disease. We tend to report our assets and to ignore the liabilities, the waste, destruction, and death, and a changed purchasing power of the dollar. We tend to go so far as to forget that some or much of our so-called prosperity rests upon the blood of our boys; and the expressions of fear of economic readjustment in the event peace should come, or the armament program should decrease, suggest that we have degenerated until we have become cannibalistic in our attitude—we demand the so-called "prosperity" that requires the destruction of thousands of our young men and the waste of billions piled upon billions of wealth that should be used in the pursuit of peaceful living. The man who fears or protests against the necessary readjustments which accompany a return to peace and the avoidance of waste, destruction, and death, merits nothing but the contempt of his fellowmen.

(8) Discrimination against our people and in favor of foreign central banks and governments: Under our system of irredeemable currency and restricted international gold bullion standard, our people have been graded down to the status of a backward, irresponsible group who must not have the right granted foreign central banks and governments to make a paper dollar as good as gold. The latter can convert their dollars into gold upon demand; our people must accept irredeemable currency.

In defense of this system, a president of one of our Federal Reserve banks stated, in substance, that it was unwise to subject gold to the withdrawals of our people because, said he, "The gold coin mechanism does not distinguish among motives." But he had nothing to say about the motives of foreign central banks and governments. He had nothing to say about the fact that the percentages of withdrawals by foreign central banks and governments are much more erratic than are the percentages of domestic withdrawals. For example, the percentage of our gold stock drawn into circulation in August, 1931, was 1.59. By October, it was up to 2.35. The percentage of our gold stock exported and earmarked for foreign account was also 1.59 in August, 1931. By October, it had jumped to 15.83. During the first six months of 1932, the percentages of gold exported and earmarked for foreign account ranged from 8.15 to 13.55. The percentages of domestic withdrawals during that period ranged from 2.77 to 4.32.

Nevertheless, and in the face of such evidence as this, that president of one of our Federal Reserve banks took the position, as has our Federal Government, that foreign central banks and governments should be given the right to convert their dollars into our gold at will while the same right should be denied our people whose motives, so he said in effect, cannot be trusted. It is a noteworthy fact that the percentage of gold withdrawals by our people reached the lowest level on record — 1.44 — in April and May, 1931, when our people were going through a sharp business recession, with heavy bank failures, and widespread distress.

Elemental common sense would seem to suggest, assuming patriotism and a respect for facts, that if there must be discrimination in respect to rights of redemption it should be in favor of our people, not against them.

This piece of discrimination is one of the striking examples of the frequently-manifested readiness of our government to sacrifice the interests of our people to what is mistakenly called "internationalism."

(9) Hampering of foreign trade and exchange by government bureaucracy: Our system of irredeemable currency calls for a government bureaucracy which restricts freedom of private enterprise in foreign trade and exchange. Such a currency is popularly called a managed currency; but the management is exceedingly restrictive on private enterprise as compared with the freedom which prevails as a part of a thorough-going gold standard under which people are free to go where they will with their currency. Dollars in private hands abroad pass at various rates of discount in terms of gold because of the failure of our government and Federal Reserve banks to redeem them at par for private holders. With dollars in private hands operating with varying degrees of dishonor abroad, private trade, investment, and travel all suffer handicaps. The great benefits of private ingenuity, free to operate in international relations under a thorough-going gold standard and redeemable currency, are in high degree lost.

Wilhelm Keilhau, in his book, "Principles of Private and Public Planning" (Burt Franklin, Publisher and Bookseller, 170 Broadway, New York, 1952), pp. 205, 207, portrays vividly how the politicians and bureaucrats, operating with managed irredeemable currencies, literally close a country to free international business. "The doors to the outside world," he says, "are locked, and the keys kept in governmental antechambers. Whoever wishes to obtain permission to buy foreign goods or transfer capital to foreign countries, will have to formulate a polite application, to answer indiscreet questions, to fill in a number of forms and schedules, to explain difficult technical matters to officials without qualifications to understand him—and wait until the bureaucrats find time to decide. Business, which in more modern times could be transacted in three minutes over the telephone, may be held up for months." And he concludes: ". . . Never before in the history of mankind has there been a time in which politicians have spoken so much in favor of internationalism and done more to check it."

(10) Monetization of Federal debt: Under our system of managed irredeemable currency, the superiority of which the managers have repeatedly proclaimed, the Federal Reserve and commercial banks have converted Federal debt into currency to an unprecedented degree for this nation. This was the course taken by Germany during and after World War I when she drove the purchasing power of her currency practically to zero. Yet our money managers have proceeded as though this were good management of our people's currency.

Whereas the United States Government securities held by the Reserve banks ranged from $1,837,000,000 (in April, 1933) to $2,804,000,000 (in September, 1939), on March 4, 1953, their holdings amounted to $23,853,000,000. This was 98% of their earning assets and 23 times their capital accounts of $1,039,597,000. With a situation such as this, their earnings on their capital were relatively high. To obscure this picture, they began, in 1947, to give 90% of their earnings to the United States Treasury in clear violation of Section 7 of the Federal Reserve Act. During the six years, 1947-1952, the Federal Reserve banks have illegally paid into the Treasury out of their earnings a total of $1,178,000,000—a sum larger than their capital accounts. This procedure, combined with their issuance, beginning in December, 1942, in cooperation with the Treasury, of $660,000,000 of fiat money, also in violation of law, provides some measure of the brand of administration which our money mangers have revealed under our system of irredeemable currency.

Although the Federal Reserve authorities have, from time to time, bowed in obeisance to the sound principle that Federal debt should not be converted into currency through banks, they nevertheless found excuses for violating that principle. The common excuse after 1941 was that their objective was "to maintain orderly conditions in the Government securities market," despite the fact that the Federal Reserve Act does not state anywhere that such is one of the objectives of the Federal Reserve System. It was designed to accommodate commerce, agriculture, and industry and to act as fiscal agent of the Federal government. Serving as fiscal agent is one thing; financing the government is something else.

It is not possible to survey the monetization of Federal debt in recent years by the Federal Reserve and commercial banks of this country. But a sample of what was done appears in the following statement in the "Annual Report of the Board of Governors of the Federal Reserve System for 1945," p. 1: "Approximately 95 billion dollars, or 40%, of the borrowing [between June 30, 1940, and the end of 1945], was raised by selling Government securities to the commercial banking system."

It has been management such as that briefly outlined that has driven the purchasing power of our dollar to the lowest level on record since the establishment of the Federal Reserve System in 1914.

V

The Major Correctives Needed

(1) All our currency should be made redeemable in gold at the present statutory rate of $35 per fine ounce which has prevailed since Jan. 31, 1934. In the light of past experience, the ratio of our gold stock to money and deposits is more than ample for this purpose. As of Dec. 31, 1952, the ratio was 10.5%. This compares with an average of 8.6 for the years 1915-1932 during which period the yearly averages ranged from 6.7 to 10.9%.

The adequacy of our gold stock is the sole consideration as to whether and when our currency should be made redeemable. All other arguments against redeemability are merely natural manifestations of the fears of a people addicted to the drug of irredeemable currency. For twenty-one years, our nation has been a den of opium smokers in so far as currency is concerned. Drug addicts do not vote to cut off the supply of their drug. There is apparently no case on record in which the majority of a people have risen en masse and demanded an end to irredeemable currency. Such cures come from the top down—from statesmen who understand both the disease and the cure.

It is very important that we gain such benefits as we may from a purified monetary bloodstream. It is a necessary prerequisite to economic health. It is our best single protection against a further pronounced depreciation of our dollar and a severe business reaction. In five out of our six resumptions, business expansion occurred promptly. In the one exceptional case—that of 1842—resumption occurred while business was in the midst of a sharp recession. In the resumption of Jan. 2, 1879—the only resumption in which our government was involved—more gold was turned in for paper money, than paper money for gold; gold flowed in from abroad; the demands for government securities swamped the staff of the Treasury; by March business expansion was under way, accompanied by an increase in the volume of money and bank deposits.

The fears, warnings, and protests of irredeemable currency addicts, expressed in 1878, parallel those of our addicts of today. By 1879, Secretary of the Treasury, John Sherman, who, as a wise doctor, brought our people into the fresher air of a sounder currency, was wined and dined and painted and honored as a great statesman, as, indeed, he was. A very important question for us today is whether we have another Secretary of the Treasury of the same calibre.

(2) Proper principles should be devised and an appropriate program instituted for reducing and prohibiting the conversion of government debt into currency.

(3) The Federal Reserve System should be made and kept independent of the Executive branch of the government and of fiscal and debt management policies of Congress and the United States Treasury. The system should be dedicated to the maintenance of a sound currency—that is, a fixed gold dollar with all our substitute currency redeemable in that standard dollar. The Federal Reserve System should do all within its legal powers, appropriate to an independent central banking system, to promote harmony among the various segments of our economic system.

Although a sound currency is a prerequisite to good economic health, it is not the function of a good currency to prevent various economic ills that can occur despite a healthy economic bloodstream. But a sound currency will not be a causal factor in generating economic disease. The gold standard did not cause the business recession and depression of 1929-1932, 1933, and it could not prevent it. World War II, man's abuses in the employment of credit, and various other factors were responsible for that catastrophe. But an irredeemable currency is a diseased economic bloodstream and is a potent factor in causing economic distortions and even national disasters.

Restoration of a redeemable currency and of improved procedures in our use of bank credit, as indicated, should contribute much toward the preservation of a healthy and proper private enterprise, human freedom, and the restoration of a limited, constitutional, and responsible government.

Let us never forget that a redeemable currency and human freedom are natural and honorable companions, and that an irredeemable currency and government dictatorship operate as twin evils to injure and to enslave mankind.

All concerned with consumer credit—the borrowers and lenders—have a great stake in these far-reaching and basic issues. Consumer credit can mount to a dangerously high level because the depreciated purchasing power of the dollar makes it increasingly difficult for middle and smaller income groups to purchase what they need or think they need. A sharp business recession, which an irredeemable currency also invites, could magnify greatly the burdens involved in the payment of such obligations.

To work for a sound monetary system is to work also for a sounder basis on which consumer financing can be conducted. Moreover, the benefits of such efforts would not be confined to the field of consumer credit but would reach all our people. With these double benefits to be gained, those in the field of consumer credit have a rare opportunity to render a great service to their fellowman.

Barham and Company Completes Stock Offer

The recent offering to the public by Barham and Company, Coral Gables, Fla., of 200,000 shares of common stock of Industrial Research, Inc., at par ($1 per share) has been completed, all of said shares having been sold.

The net proceeds were used to increase working capital.

Rapid expansion of production and merchandising facilities, major product improvement, new product development projects, plans for new manufacturing plants in this country and Canada and a marked gain in the company's profit position were highlights of the President's report at the annual stockholder's meeting of this research company and manufacturer of the new storage battery cap called the "Hydrocap."

President Sadler noted in his report that the last six months of the fiscal year showed the company in a "substantial profit position." After listing new sales and distribution facilities developed during the year throughout this country, Mexico and Canada, Mr. Sadler disclosed company plans for establishing assembly plants to manufacture Hydrocaps in Los Angeles, Philadelphia and Canada. Plans are also being formulated for a subsidiary company to handle foreign sales.

Mr. Sadler also announced that now that the stock syndicate is closed, an active market on the company's stock will be established in New York, Philadelphia and Miami.

M. McLaughlin Co. Opens

Michael McLaughlin has formed Michael McLaughlin Co. with offices at 114 East 37th Street, New York City, to engage in a securities business. Mr. McLaughlin was previously with Graham, Ross & Co.

Joins Taussig, Day

(Special to THE FINANCIAL CHRONICLE)

PEORIA, Ill. — Miller McNulty is now with Taussig, Day & Co., Inc., First National Bank Building.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Aberdeen Idaho Mining Co., Wallace, Idaho
March 30 (letter of notification) 100,000 shares of non-assessable common stock. **Price** — 15 cents per share. **Proceeds** — To develop mining claims. **Underwriter** — Wallace Brokerage Co., Wallace, Idaho.

ACF-Brill Motors Co., Philadelphia, Pa.
April 20 filed 215,360 shares of common stock (par $2.50) and 44,303.5 common stock subscription warrants. **Price**—At prices not less than 50 cents per share of stock and 25 cents per warrant below current market. **Proceeds**—To Allen & Co., New York. **Underwriter**—None.

★ **Acteon Gold Mines Ltd., Vancouver, B. C., Can.**
April 22 filed 250,000 shares of common stock (no par). **Price**—$1 per share (net to company). **Proceeds**—To purchase equipment and supplies. **Underwriter**—M. H. B. Weikel, Los Angeles, Calif.

★ **Air Reduction Co., Inc., New York**
April 24 filed 200,000 shares of common stock (no par) to be offered under "Interests in Employee Stock Investment Plan." **Proceeds**—For general corporate purposes. **Underwriter**—None.

Alabama Power Co. (5/12)
April 10 filed $18,000,000 first mortgage bonds due May 1, 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly); Lehman Brothers; The First Boston Corp.; Harriman Ripley & Co., Inc. **Bids**—To be received up to 11 a.m. (EDT) on May 12 at office of Southern Services, Inc., 20 Pine St., New York 5, N. Y.

Algemene Kunstzijde Unie N. V. (United Rayon Mfg. Corp.), Arnheim, The Netherlands
April 17 filed "A. K. U." American depositary receipts for American shares representing ordinary shares of Algemene at the rate of one American share for each 50 Florins par value of ordinary shares. **Depositary**—The Chase National Bank of the City of New York. **Underwriter**—None, no financing being involved.

● **Aluminium Ltd.**
March 30 filed 818,657 shares of capital stock (no par) being offered for subscription by stockholders of record on April 24 at rate of one new share for each 10 shares held; rights to expire on May 15. **Price**—$33.50 Canadian dollars; or $34 U. S. dollars. **Proceeds**—For expansion program. **Dealer Managers**—The First Boston Corp. and White, Weld & Co. to head group in United States; and A. E. Ames & Co., Ltd. to head group in Canada. Statement effective April 20.

American Discount Co. of Georgia (5/6)
April 16 filed $2,000,000 of 5.90% capital debentures due May 1, 1973. **Price**—At par (in denominations of $1,000 each. **Proceeds**—To repay short-term notes and for working capital. **Underwriters**—A. M. Law & Co., Spartanburg, S. C.; Johnson, Lane, Space & Co., Savannah, Ga.; and Interstate Securities Corp., Charlotte, N. C.

★ **American General Oil & Gas Co., Houston, Tex.**
April 3 (letter of notification) 500,000 shares of common stock (par 1 cent). **Price**—10 cents per share. **Proceeds**—For working capital. **Office**—605 M & M Bldg., Houston, Tex. **Underwriter**—None.

★ **American-Israeli Cattle Corp.**
April 24 (letter of notification) 30,000 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds**—For purchase and transportation of cattle. **Address**—c/o U. S. Corporation Co., 129 So. State St., Dover, Del. **Underwriter**—None.

★ **Applied Research Laboratories, Glendale, Calif.**
April 15 (letter of notification) 2,550 shares of capital stock (par $1). **Price**—At market (approximately $9 per share). **Proceeds**—To reduce indebtedness. **Underwriter**—None.

Arcturus Electronics, Inc., Newark, N. J.
March 27 (letter of notification) 40,000 shares of class A common stock (par one cent). **Price** — 50 cents per share. **Proceeds**—To Delbert E. Replogle, President. **Underwriter**—Gearhart & Otis, Inc., New York.

★ **Arkansas Louisiana Gas Co. (5/26)**
April 22 filed $35,000,000 of first mortgage bonds due 1978. **Proceeds**—To repay $24,500,000 bank loans and for new construction, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp. **Bids**—Expected to be received on May 26.

● **Arkansas-Missouri Power Co.**
April 6 filed 47,413 shares of common stock (par $5) being offered for subscription by common stockholders of record March 31 at the rate of one new share for each eight shares held (with an oversubscription privilege); rights to expire May 5. **Price**—$17 per share. **Proceeds**—To repay bank loans. **Underwriter**—None, but soliciting dealers will be paid a commission.

● **Armstrong Rubber Co.**
March 31 filed $4,000,000 of 5% convertible subordinated debentures due May 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Business**—Manufacturer of tires and tubes. **Underwriter**—Reynolds & Co., New York. **Offering**—Temporarily postponed.

Ashland Oil & Refining Co.
Feb. 27 filed 100,000 shares of cumulative second preferred stock, $1.50 series of 1952 (no par) (convertible prior to June 15, 1962) to be offered for subscription by officers and employees of company and its American and Canadian subsidiaries under a "Restricted Stock Option Plan for Employees." **Price**—Alternate provisions fix the purchase price at 85% and 100%, respectively, of the market value of the stock at the time the options are granted. **Proceeds**—For working capital and used in part for property additions and improvements. **Underwriter**—None.

Athabasca Uranium Mines, Ltd. (formerly American-Canadian Uranium Co., Ltd.).
April 17 filed 500,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For engineering, development and mining expenses. **Underwriter**—George D. Clarke, Ltd., 50 Broad Street, New York.

Atomic Uranium Corp., Denver, Colo.
March 23 (letter of notification) 232,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For exploration. **Office**—Interstate Trust Bldg., Denver, Colo. **Underwriter**—Luckhurst & Co., Inc., New York.

● **Aviation Equipment Corp. (5/7)**
April 17 filed $1,000,000 of 6% subordinated debentures due 1964; 8,000 shares of 6% preferred stock (par $50); and depositary receipts representing 8,000 shares of common stock (par $1) to be offered in units of a $1,000 debenture, eight shares of preferred stock and depositary receipts representing eight shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of securities, together with $4,000,000 to be borrowed from bank, to acquire airplanes and equipment and for working capital. **Underwriter**—Union Securities Corp., New York.

★ **Basin Oil Corp., Evansville, Ind.**
April 20 (letter of notification) 403,044 shares of common stock (par 10 cents), of which 123,044 shares are to be offered by selling stockholders. **Price**—62½ cents

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NEW ISSUE CALENDAR

April 30, 1953
Jasco, Inc. ____ Common
(Bids 3 p.m. EDT)
National Ceramic Co. ____ Common
(Bids 2 p.m. EDT)
St. Louis-San Francisco Ry. ____ Equip. Trust Ctfs.
(Bids noon EDT)

May 4, 1953
Hickok Manufacturing Co., Inc. ____ Debentures
(George D. B. Bonbright & Co.)
Montana Power Co. ____ Debentures
(Bids noon EDT)
Texas Western Oil Co., Inc. ____ Common
(Walter Aronheim)

May 5, 1953
Mansfield Tire & Rubber Co. ____ Common
(A. G. Becker & Co., Inc.)
Merrill Petroleums Ltd. ____ Common
(White, Weld & Co.; and Wood, Gundy & Co., Ltd)
Montana-Dakota Utilities Co. ____ Common
(Offering to stockholders—underwritten by Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane)
Northern Natural Gas Co. ____ Common
(Blyth & Co., Inc.)
Schlafly Nolan Oil Co., Inc. ____ Common
(L. H. Rothchild & Co.)
Southern Bell Telephone & Telegraph Co. ____ Debs.
(Bids 11 a.m. EDT)
Southwestern States Telephone Co. ____ Preferred
(Central Republic Co., Inc.)
Tennessee Gas Transmission Co. ____ Common
(Stone & Webster Securities Corp. and White, Weld & Co.)
Union Tank Car Co. ____ Debentures
(Smith, Barney & Co.)
Wisconsin Public Service Corp. ____ Bonds
(Bids 11 a.m. CDT)

May 6, 1953
American Discount Co. of Georgia ____ Debentures
(A. M. Law & Co.; Johnson, Lane, Space & Co.; and Interstate Securities Corp.)
California-Pacific Utilities Co. ____ Preferred
(First California Co., Inc.)
Copeland Refrigeration Corp. ____ Common
(Baker, Simonds & Co.)
Federal Electric Products Co. ____ Debs. & Common
(H. M. Byllesby & Co., Inc.)

May 7, 1953
Aviation Equipment Corp. ____ Debs. & Stock
(Union Securities Corp.)
Flock Gas & Oil Corp., Ltd. ____ Common
(Peter Morgan & Co.)
Honolulu (T. H.) ____ Bonds
(Bids to be invited)
Long Island Lighting Co. ____ Preferred
(W. C. Langley & Co.; Blyth & Co., Inc.; and The First Boston Corp.)
Seaboard Finance Co. ____ Preferred
(The First Boston Corp.)

May 11, 1953
Foote Bros. Gear & Machine Corp. ____ Preferred
(A. C. Allyn & Co., Inc.)
General Contract Corp. ____ Preferred
(G. H. Walker & Co.)
Household Service, Inc. ____ Pfd. & Com.
(Mohawk Valley Investing Co., Inc.)

May 12, 1953
Alabama Power Co. ____ Bonds
(Bids 11 a.m. EDT)
Columbia Gas System, Inc. ____ Common
(Bids 11 a.m. EDT)
New Orleans Public Service Inc. ____ Bonds
(Bids noon EST)
Texas Eastern Production Corp. ____ Common
(Offering to stockholders of Texas Eastern Transmission Corp. Underwritten by Dillon, Read & Co. Inc.)
Woodley Petroleum Co. ____ Debentures
(A. G. Becker & Co., Inc.)

May 13, 1953
Lone Star Gas Co. ____ Preferred
(Offering to common stockholders—underwritten by The First Boston Corp.)
Meredith Publishing Co. ____ Common
(Stone & Webster Securities Corp.)
Philadelphia Electric Co. ____ Preferred
(Bids noon EDT)
Reading Co. ____ Equip. Trust Ctfs.
(Bids noon EDT)
Saint Anne's Oil Production Co. ____ Common
(Sills, Fairman & Harris and H. M. Byllesby & Co. Inc.)

May 14, 1953
Peruvian Oil Concessions Co., Inc. ____ Common
(B. G. Phillips & Co.)
Sunray Oil Corp. ____ Common
(Eastman, Dillon & Co.)

May 15, 1953
Central Power & Light Co. ____ Bonds
(Bids noon CDT)

May 18, 1953
Southern Natural Gas Co. ____ Debentures
(Bids to be invited)
Texas Power & Light Co. ____ Bonds & Preferred
(Bids 11:30 a.m. EDT)

May 19, 1953
Metropolitan Edison Co. ____ Bonds
(Bids 11 a.m. EDT)
Pacific Gas & Electric Co. ____ Bonds
(Bids 11 a.m. EDT)
Southern Natural Gas Co. ____ Bonds
(Bids to be invited)

May 20, 1953
Philadelphia Electric Co. ____ Bonds
(Bids noon EDT)

May 25, 1953
Bangor & Aroostook RR. ____ Bonds
(Bids 5:30 p.m. EDT)
Shield Chemical Corp. ____ Common
(Peter W. Spiess & Co.)

May 26, 1953
Arkansas Louisiana Gas Co. ____ Bonds
(Bids to be invited)
Consolidated Natural Gas Co. ____ Debentures
(Bids 11:30 a.m. EDT)
Government Employees Corp. ____ Common
(Offering to stockholders—no underwriting)

June 2, 1953
Texas Utilities Co. ____ Common
(Bids to be invited)

June 4, 1953
General Public Utilities Corp. ____ Common
(Offering to stockholders—no underwriting)

June 9, 1953
American Gas & Electric Co. ____ Common
(Bids to be invited)
Gulf Power Co. ____ Bonds
(Bids 11 a.m. EDT)
Iowa Public Service Co. ____ Bonds
(Bids to be invited)

June 10, 1953
New England Electric System ____ Common
(Offering to stockholders—bids to be invited)

June 23, 1953
New York Telephone Co. ____ Bonds
(Bids 11 a.m. EDT)
Pennsylvania Electric Co. ____ Bonds
(Bids 11 a.m. EDT)

Aug. 3, 1953
Denver & Rio Grande Western RR. ____ Equip. Trust Ctfs.
(Bids to be invited)

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per share. **Proceeds**—For working capital. **Office**—419 Grein Bldg., Evansville, Ind. **Underwriters**—Cruttenden & Co. and Mason, Moran & Co., both of Chicago, Ill.

★ Blenda Life, Inc., Green Isle, Minn.
April 21 (letter of notification) 1,500 shares of class A common stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Underwriter**—None.

★ Briddell (Chas. D.), Inc., Crisfield, Md.
April 21 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$7.50 per share. **Proceeds**—To reduce indebtedness and for working capital. **Underwriter**—None.

Bristol Oils Ltd., Toronto, Canada
Sept. 25 filed 1,000,000 shares of common stock (par $1). **Price**—Approximately 64.48 cents per share. **Proceeds**—To acquire leases and for corporate purposes. **Underwriter**—None. To be named by amendment.

★ Brooks & Perkins, Inc., Detroit, Mich.
April 22 (letter of notification) 6,475 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—To underwriter, Watling, Lerchen & Co., Detroit, Mich.

Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. **Price**—At par. **Proceeds**—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. **Underwriters**—Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Postponed.

● California-Pacific Utilities Co. (5/6)
April 15 filed 50,000 shares of cumulative convertible preferred stock. **Price**—At par ($20 per share). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—First California Co., Inc., Los Angeles, Calif.

California Tungsten Corp., Salt Lake City, Utah
March 30 (letter of notification) 1,999,000 shares of common stock. **Price**—15 cents per share. **Proceeds**—For working capital, etc. **Underwriter**—Tellier & Co., New York.

Carver Oil & Gas Co., Inc.
March 23 (letter of notification) 2,042,051 shares of common stock (par one cent). **Price**—12½ cents per share. **Proceeds**—For development of properties, etc. **Office**—c/o Ralph T. Masters, 163 Remsen St., Brooklyn, N. Y. **Underwriter**—Securities National Corp., Newark, N. J.

Cascade Natural Gas Corp., Seattle, Wash.
March 30 (letter of notification) 60,720 shares of common stock (no par) to be offered in exchange for 11,400 shares of 8% cumulative convertible preferred stock (par $5) and common stock (par $5) of Northwest Cities Gas Co. on a 1-for-5½ basis, plus 25 cents in cash. **Price**—$25 per share. **Proceeds** — To acquire aforementioned stocks. **Underwriter**—Sheridan Bogan Paul & Co., Philadelphia, Pa.

Central City Milling & Mining Corp.
March 4 (letter of notification) 1,800,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining operations. **Underwriter**—R. L. Hughes & Co., Denver, Colo.

Central Fibre Products Co., Inc., Quincy, Ill.
March 23 (letter of notification) 2,460 shares of common stock (par $5). **Price**—At market (approximately $39.50 per share). **Proceeds** — To E. Carey, Jr., and W. D. P. Carey, the two selling stockholders. **Underwriters**—Bosworth, Sullivan & Co., Denver, Colo.

Central Power & Light Co. (5/15)
April 20 filed $8,000,000 first mortgage bonds, series E, due May 1, 1983. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Harriman Ripley & Co. Inc., and Stone & Webster Securities Corp. (jointly); Union Securities Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Bids**—Tentatively expected to be received up to noon (CDT) on May 15 at 20 No. Wacker Drive, Chicago 6, Ill.

Columbia Gas System, Inc. (5/12)
April 9 filed 1,700,000 shares of common stock (no par). **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on May 12.

Computer Manufacturing Corp., New York
April 13 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—Principally for working capital and for general corporate purposes. **Underwriter** — R. V. Klein Co. New York.

Consolidated Natural Gas Co. (5/26)
April 17 filed $40,000,000 of debentures due 1978. **Proceeds**—To purchase securities of operating subsidiaries to finance their construction expenditures, estimated at $49,000,000 for 1953. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and The First Boston Corp. (jointly); White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on May 26.

Cooperative Grange League Federation Exchange, Inc.
Feb. 13 filed 50,000 shares of 4% cumulative preferred stock (par $100) and 700,000 shares of common stock (par $5). **Price**—At par. **Proceeds**—For working capital **Business**—Production of dairy and poultry feeds. **Office**—Ithaca, N. Y. **Underwriter**—None.

Copeland Refrigeration Corp. (5/6-7)
April 14 filed 150,000 shares of common stock (par $1), of which 75,000 shares will be for account of company and the rest for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Underwriter**—Baker, Simonds & Co., Detroit, Mich.

Coronado Copper Mines Corp.
Jan. 23 (letter of notification) 299,970 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire leases, for exploration expenses, to repay loans and for working capital. **Office**—100 West 10th St., Wilmington, Del. **Underwriter**—Charles J. Maggio, Inc., New York. Letter to be withdrawn.

★ Delvale Eastern Shore, Inc., Baltimore, Md.
April 21 (letter of notification) 250 shares of 5% cumulative preferred stock (par $100) and 750 shares of common stock (par $10), each purchaser of one preferred share having the right to buy three common shares. **Price**—At par. **Proceeds**—For working capital. **Office**—2030 Harford Road, Baltimore, Md. **Underwriter**—None.

Dixie Fire & Casualty Co., Greer, S. C.
April 9 (letter of notification) 8,000 shares of common stock (par $10). **Price**—$25 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ Douds-Leando Telephone Co., Inc., Douds, Ia.
April 20 (letter of notification) 500 shares of common stock (par $10) and 4,500 shares of preferred stock (par $10). **Price**—At par. **Proceeds**—To install and repair telephone cable. **Office**—Old Bank Bldg., Douds, Iowa. **Underwriter**—None.

Emerson Electric Manufacturing Co.
March 18 filed 37,230 shares of common stock (par $4) being offered for subscription by stockholders of record April 16 at rate of one new share for each 12½ shares held (with an oversubscription privilege); rights to expire on May 1. **Price**—[illegible]. **Proceeds**—For general corporate purposes, including acquisition of certain assets of United States Electric Tool Co. **Underwriter**—None.

★ Fair Finance Co., Akron, O.
April 28 (letter of notification) $300,000 of series A-1 debenture notes. **Price**—At par (in denominations of $50 and multiples thereof). **Proceeds**—To pay debts and provide working capital. **Office**—1 North Arlington St., Akron, O. **Underwriter**—None.

● Federal Electric Products Co. (5/[illegible])
March 31 filed 220,000 shares of common stock (par $1) and $2,000,000 of 6% subordinated income debentures due 1968 (with warrants attached to purchase an additional 120,000 shares at prices ranging from $7.50 to $17.50 per share. **Price**—For common stock, $7 per share and for debentures, at 100% of principal amount. **Proceeds**—To repay loans. **Business**—Manufacture of devices for control of low voltage electrical energy. **Underwriter**—H. M. Byllesby & Co., Inc., Chicago, Ill.

● Flock Gas & Oil Corp., Ltd., Calgary, Can. (5/7)
March 19 filed 800,000 shares of common stock (par 20 cents). **Price**—$2 per share. **Proceeds**—For development of properties now held by it, for acquiring and holding reservations and leases or participating therein, for exploration and drilling expenses, etc. **Underwriter**—Peter Morgan & Co., New York.

Foote Bros. Gear & Machine Corp. (5/11-12)
April 20 filed 100,000 shares of cumulative convertible preferred stock (par $15) to be voted upon by the stockholders on May 4. **Price**—To be supplied by amendment. **Proceeds**—To retire presently outstanding 6,500 shares of convertible preferred stock (par $10) and for working capital. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

★ Forest Management Corp., Washington, D. C.
April 21 (letter of notification) 2,500 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—1740 K St., N. W., Washington 6, D. C. **Underwriter**—None.

● General Contract Corp., St. Louis, Mo. (5/11)
April 17 filed 500,000 shares of 6% preferred stock (par $10) to be offered for subscription by common stockholders at rate of one share for each 3.3 common shares held. Unsubscribed shares to be offered in exchange for series A preferred stock (with a cash adjustment). **Price**—To be supplied by amendment (probably around $11 per share). **Proceeds**—To redeem series A preferred shares outstanding. to repay loans and for working capital. **Underwriter**—G. H. Walker & Co., New York and St. Louis. **Offering**—Expected week of May 11, for a 10-day standby.

Grand Bahama Co., Ltd., Nassau
Feb. 3 filed $1,350,000 20-year 6% first mortgage convertible debentures due March, 1973, and 1,565,000 shares of class A stock (par 10 cents). **Price**—Par for debentures and $1 per share for stock. **Proceeds** — For new construction. **Business** — Hotel and land development **Underwriter**—Gearhart & Otis, Inc., New York.

★ Hermon Hanson Oil Syndicate, Turtle Lake, N. D.
April 20 (letter of notification) 150,000 shares of common stock. **Price**—$20 per share. **Proceeds**—For drilling wells and for acquisition of leases. **Underwriter**—None.

Hickok Manufacturing Co., Inc. (5/4)
April 20 (letter of notification) $100,000 of 6% subordinated debentures due April 1, 1973. **Price**—At $80 per $100 unit (plus accrued interest). **Proceeds**—To the underwriter for its own account. **Underwriter**—George D. B. Bonbright & Co., Rochester, N. Y.

★ Household Service, Inc. (5/11)
April 27 (letter of notification) 1,000 shares of 6% cumulative preferred stock (par $25) and 125 shares of common stock (par $10) to be offered in units of eight shares of preferred and one share of common stock. **Price**—$200 per unit. **Proceeds**—To payment of $15,000 notes and purchase additional gas equipment. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y.

★ Hydrocap Eastern, Inc., Philadelphia, Pa.
April 27 filed 500,000 shares of common stock, of which underwriters have agreed to purchase 100,000 shares for public sale and to use "best efforts" to sell remaining shares. **Price**—At par ($1 per share). **Proceeds**—To establish assembly plant and acquire raw materials. **Underwriter**—Barham & Co., Coral Gables, Fla.

★ Imperial Hardware Co., El Centre, Calif.
April 13 (letter of notification) 2,100 shares of class B stock, of which 1,000 shares are to be offered to employees in exchange for $100 par common stock on a share-for-share basis; and 1,100 shares to be offered to selected employees at $120 per share. **Proceeds**—For working capital. **Office**—535 Main St., El Centre, Calif. **Underwriter**—None.

Independent Plow, Inc., Neodesha, Kan.
Feb. 26 filed 100,000 shares of participating convertible class A stock (par $5), to be offered for subscription by common and preferred stockholders at rate of one share of class A stock for each 3¼ shares of preferred and/or common stock held. **Price** — $6.50 per share **Proceeds**—To repay balance of RFC loan ($192,311); to redeem outstanding preferred stock ($86,341): and for working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Insurance Co. of North America, Phila., Pa.
April 16 filed 30,000 shares of capital stock (par $5) to be offered for sale to employees of company and five affiliated companies. **Underwriter**—None.

★ International Harvester Co., Chicago, Ill.
April 24 filed 568,000 shares of common stock (no par) to be offered for subscription by certain employees of company and its subsidiaries under Employees' Common Stock Subscription Plan of 1953. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—None.

Interstate Fire & Casualty Co., Bloomington, Ill.
March 26 filed 28,000 shares of capital stock (par $10) to be offered for subscription by stockholders of record April 1 at the rate of 1 3/11 shares for each share held **Price**—$16.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

★ Israel Investors, Inc., New York
April 24 filed 86,960 shares of common stock (no par) to be sold in units of 10 shares each. **Price**—$1,150 per unit. **Proceeds**—To aid economic development of Israel. **Underwriter**—None.

Junction City (Kan.) Telephone Co.
March 3 (letter of notification) $206,000 of 4½% first mortgage bonds, series A, due Feb. 1, 1977. **Price**—100% and accrued interest. **Proceeds**—For general corporate purposes. **Underwriter**—Wachob-Bender Corp., Omaha, Nebraska.

★ Keystone Helicopter Corp., Phila., Pa.
April 23 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase helicopter and equipment and for working capital. **Office**—Land Title Bldg., Philadelphia, Pa. **Underwriter**—None.

● Lone Star Gas Co. (5/13)
April 22 filed 183,300 shares of cumulative convertible preferred stock to be offered to common stockholders of record May 13 at the rate of one preferred share for each 30 shares of common stock held; rights to expire May 27. **Price**—At par ($100) per share). **Proceeds**—For working capital and for additions and improvements to property. **Underwriter** — The First Boston Corp., New York.

● Long Island Lighting Co. (5/7)
April 6 filed 100,000 shares of cumulative preferred stock, series C (par $100). **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—W. C. Langley & Co., Blyth & Co., Inc. and The First Boston Corp.

★ Los Angeles Nut House, Los Angeles, Calif.
April 15 (letter of notification) 10,000 shares of preferred stock (par $25) and 10,000 shares of common stock (par $5) to be offered in units of one share of each class of stock. **Price**—$30 per unit. **Proceeds**—For working capital. **Office** — 4920 South Soto St., Los Angeles, Calif. **Underwriter**—None.

★ Malabar Farm Products Corp., Lucas, O.
April 28 (letter of notification $40,000 of 5% 10-year debenture notes and 400 shares of class A stock (no par). **Price**—Of debentures, at principal amount; and of stock, at $10 per share. **Proceeds**—For general funds. **Underwriter**—None.

● Mansfield Tire & Rubber Co. (5/5)
April 10 filed 200,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To General Tire & Rubber Co. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill.

Marathon Corp., Menasha, Wis.
March 20 filed 614,872 shares of common stock (par $6.25) to be offered in exchange for stock of Northern Paper Mills on the basis of six shares for each share of Northern common stock and five shares for each share of Northern preferred stock. **Underwriter**—None.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. **Offering**—Date indefinite.

● Mechanical Handling Systems, Inc.
March 31 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To purchase common stock of The Louden Machinery Co. **Business**—Manufacture and sale of conveyors in industrial and commercial applications. **Office**—Detroit, Mich. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Indefinitely postponed.

★ Meredith Publishing Co. (5/13)
April 24 filed 258,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter** — Stone & Webster Securities Corp., New York.

● Merrill Petroleums Ltd., Alberta, Canada (5/5)
March 31 filed 1,000,000 shares of common stock (par $1), of which 400,000 shares are to be offered in the United States and 600,000 shares in Canada. **Price**—To be supplied by amendment. **Proceeds**—For drilling and exploration activities. **Underwriters**—White, Weld & Co., New York; and Wood, Gundy & Co., Ltd., Toronto, Ont., Canada.

Metropolitan Edison Co., Reading, Pa. (5/19)
April 15 filed $8,000,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co. and Drexel & Co (jointly); Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Blyth & Co., Inc. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on May 19.

Mex-American Minerals Corp., Granite City, Ill.
Nov. 3 filed 113,000 shares of 6% cumulative preferred stock (par $5) and 113,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$6 per unit. **Proceeds**—For working capital. **Business**—Purchase, processing, refining and sale of Fluorspar. **Underwriter** — To be supplied by amendment.

Mid American Oil & Gas Co., Chicago, Ill.
April 7 (letter of notification) 275,000 shares of common stock (par 10 cents) reserved for warrants. **Price**—At market (12 to 16 cents per share). **Underwriter**—Greenfield & Co., Inc., New York. No general offer planned.

Mid-Gulf Oil & Refining Co.
Nov. 10 (letter of notification) 400,000 shares of common stock (par five cents). **Price**—60 cents per share. **Proceeds**—To acquire additional properties. **Office**—927-929 Market St., Wilmington, Del. **Underwriter**—W. C. Doehler Co., Jersey City, N. J.

● Montana-Dakota Utilities Co. (5/5)
April 15 filed 293,108 shares of common stock (par $5) to be offered for subscription by common stockholders on basis of one new share for each five shares held on May 5; rights to expire May 20. **Price**—To be in relation to market price shortly before the offering. **Proceeds**—To repay $5,250,000 short-term loans and for new construction. **Underwriter**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

Montana Power Co. (5/4)
April 2 filed $18,000,000 sinking fund debentures due 1978. **Proceeds**—To repay $12,000,000 bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Blyth & Co., Inc. and Lee Higginson Corp. (jointly); Lehman Brothers; Union Securities Corp. **Bids**—To be received up to noon. (EDT) on May 4 at Two Rector St., New York, N. Y.

Mount Holly (N. J.) Water Co.
April 14 (letter of notification) 5,000 shares of common stock (no par) to be offered for subscription by common stockholders of record April 29 at rate of one new share for each share held (with an oversubscription privilege); rights to expire May 29. **Price**—$22 per share. **Proceeds**—To repay bank loans, etc. and for capital additions. **Underwriter**—None.

New Orleans Public Service Inc. (5/12)
March 12 filed $6,000,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Union Securities Corp. **Bids**—To be received up to noon (EST) on May 12, at Two Rector St., New York 6, N. Y.

North American Peat Moss Co., Inc. (N. Y.)
April 10 filed 500,000 shares of common stock (par 10 cents). **Price** — $1 per share. **Proceeds** — To purchase equipment and for working capital. **Underwriter**—R. A. Keppler & Co., Inc., New York.

● Northern Natural Gas Co. (5/5)
April 15 filed 598,100 shares of common stock (par $10), of which 548,100 shares are to be offered for subscription by common stockholders of record May 5 on basis of one new share for each five shares held (with an oversubscription privilege); rights to expire on May 19. Unsubscribed shares are to be offered to empolyees. **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with proposed sale in June of $40,000,000 of debentures, to be used to repay bank loans and for construction program. **Underwriter** — Blyth & Co., Inc., New York and San Francisco.

Northlands Oils Ltd., Canada
Nov. 21 filed 1,000,000 shares of capital stock (par 20¢ — Canadian) and subscription warrants for 600,000 shares, of which the stock and subscription warrants for 400,000 shares are to be offered in units of 100 shares of stock and subscription warrants for 40 shares. **Price**—$52 per unit. **Proceeds**—For drilling of additional wells and to purchase producing wells. **Underwriter**—M. S. Gerber, Inc., New York. Financing may be revised.

★ Noryn Mines Ltd., Hull, Quebec, Canada
April 23 filed 500,000 shares of common stock (par $1). **Price**—50 cents per share. **Proceeds**—To repay loans and for other corporate purposes. **Underwriter**—None.

Oklahoma Gas & Electric Co.
March 19 filed 241,195 shares of common stock (par $10) being offered for subscription by common stockholders of record April 16 at rate of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on May 5. **Price**—$24.50 per share. **Proceeds** — For construction program. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

Pacific Gas & Electric Co. (5/19)
April 21 filed $65,000,000 of first and refunding mortgage bonds, series V, due June 1, 1984. **Proceeds** — To retire short term loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on May 19.

Palestine Economic Corp., New York
March 6 filed 100,000 shares of common stock (par $25). **Price**—$28 per share. **Proceeds** — For development of Israel industry, etc., and for working capital. **Underwriter**—None.

Pennant Drilling Co., Inc., Denver, Colo.
March 23 (letter of notification) 42,507 shares of common stock (par $1). **Price**—$1.30 per share. **Proceeds**—To Morris Replin, the selling stockholder. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

Peruvian Oil Concessions Co., Inc. (5/14-20)
Jan. 16 filed 9,000,000 shares of common stock (par $1) (expected to be amended about April 23 or 24 to 1,000,000 shares). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Business**—Plans to produce and sell petroleum and its products from lands to be held under concession from the Peruvian Government. **Underwriter**—B. G. Phillips & Co., New York, for 1,000,000 shares.

Philadelphia Electric Co. (5/13)
April 10 filed 150,000 shares of cumulative preferred stock (par $100). **Proceeds**—For new construction and to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Morgan, Stanley & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); The First Boston Corp.; Union Securities Corp. **Bids**—Tentatively scheduled to be received up to noon (EDT) on May 13 at 900 Sansom St., Philadelphia, Pa.

Philadelphia Electric Co. (5/20)
April 10 filed $30,000,000 of first and refunding mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Drexel & Co. and Morgan Stanley & Co. (jointly); Kuhn, Loeb & Co. and Union Securities Corp. (jointly); White, Weld & Co.; The First Boston Corp. **Bids**—Tentatively scheduled to be received up to noon (EDT) on May 20 at 900 Sansom St., Philadelphia, Pa.

Philadelphia Electric Co. (6/2)
April 10 filed 100,000 shares of common stock (no par) to be offered for subscription by employees of company and its subsidiaries. **Price**—From 85% to 95% of the then current market price. **Proceeds**—For construction program. **Underwriter**—None.

★ Plastic Clay, Inc., Baltimore, Md.
April 21 (letter of notification) 20,000 shares of capital stock (par $5). **Proceeds**—For equipment and salaries. **Office**—22 Light St., Baltimore 2, Md. **Underwriter**—None.

Plume & Atwood Manufacturing Co., Waterbury, Conn.
April 2 (letter of notification) 13,500 shares of common stock (no par) being offered for subscription by stockholders of record April 17 at rate of one new share for each four shares held; rights to expire May 15. **Price**—$16 per share. **Proceeds**—For plant expansion and equipment. **Office**—470 Bank St., Waterbury, Conn. **Underwriter**—None.

Resort Airlines, Inc., Miami, Fla.
March 6 (letter of notification) 724,687 shares of common stock (par 10 cents) to be offered for subscription by stockholders on a pro rata basis. **Price**—20 cents per share. **Proceeds**—For working capital. **Address**—Box 242, International Airport, Miami 48, Fla. **Underwriter**—None.

★ Saint Anne's Oil Production Co., Northwood, Iowa (5/13)
April 23 filed 270,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock of Neb-Tex Oil Co., to pay loans and for working capital. **Underwriters** — Sills, Fairman & Harris and H. M. Byllesby & Co., Inc., both of Chicago, Ill.

★ Sav-A-Stop, Inc., Jacksonville, Fla.
April 22 (letter of notification) 2,000 shares of class A common stock and 2,000 shares of 7% preferred stock. **Price**—At par ($25 per share). **Proceeds**—For working capital. **Office** — 1079 Kings Ave., Jacksonville, Fla. **Underwriter**—None.

● Schlafly Nolan Oil Co., Inc. (5/5)
March 25 filed 150,000 shares of common stock (par 25 cents). **Price**—$4 per share. **Proceeds**—To purchase and sell leaseholdes, royalties and producing properties, to prospect for oil and gas and to develop and operate producing properties. **Office**—Mt. Vernon, Ill. **Underwriter**—L. H. Rothchild & Co., New York.

Seaboard Finance Co. (5/7)
April 17 filed 50,000 shares of sinking fund preferred stock (no par—stated value $100 per share). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—The First Boston Corp., New York.

★ Securities Acceptance Corp., Omaha, Neb.
April 24 (letter of notification) 6,000 shares of 5% cumulative preferred stock (par $25). **Price**—$26 per share. **Proceeds** — For working capital. **Underwriters**—Cruttenden & Co., Chicago, Ill.; Wachob-Bender Corp., Omaha, Neb.; and The First Trust Co. of Lincoln (Neb.).

★ Silver Mountain Mining Co., Tacoma, Wash.
April 28 (letter of notification) 200,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For construction costs and working capital. **Office**—2403 So. Tacoma Way, Tacoma, Wash. **Underwriter**—None, offering to be made through company officials.

Soil-Tone Corp., Plymouth, N. C.
March 27 (letter of notification) $150,000 of 6% contingent interest debentures due 1968 (convertible at any time at rate of 500 shares of common stock for each $1,000 debenture); and 150,000 shares of common stock (par $1). **Price**—At par or principal amount. **Proceeds**—To enlarge plant. **Underwriters**—McGinnis & Co., New York, and Stein Bros. & Boyce, Baltimore, Md.

● Southern Bell Telephone & Telegraph Co. (5/5)
April 9 filed $30,000,000 of 24-year debentures due May 1, 1977. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. **Bids**—To be received up to 11 a.m. (EDT) on May 5, at 195 Broadway, New York, N. Y.

Southern Co.
March 13 filed 1,004,869 shares of common stock (par $5) being offered to common stockholders of record April 16 on the basis of one new share for each 17 shares held (with an oversubscription privilege); rights to expire on May 7. **Price**—$14 per share. **Proceeds**—To increase investments in subsidiaries. **Underwriter** — The First Boston Corp.

Southern Natural Gas Co. (5/18)
April 20 filed $34,220,100 of convertible sinking fund debentures due 1973 to be offered for subscription by common stockholders of record May 20 at rate of $100 of debentures for each 10 shares of stock held; rights to expire on June 8. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Kuhn, Loeb & Co.; Equitable Securities Corp. **Bids**—Tentatively expected to be received on May 18.

Southern Natural Gas Co. (5/19)
April 20 filed $30,000,000 first mortgage pipeline sinking fund bonds due 1973. **Proceeds**—To repay bank loans and for expansion program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Equitable Securities Corp.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jontly). **Bids**—Tentatively scheduled to be received on May 19.

● Southwestern States Telephone Co. (5/5)
March 16 filed 60,000 shares of cumulative preferred stock (par $25). **Price**—To be supplied by amendment (expected to be at par with a yield of somewhat better than 5¼%). **Proceeds**—For construction program. **Underwriter**—Central Republic Co. (Inc.), Chicago, Ill.

★ Sun Oil Co., Philadelphia, Pa.
April 27 filed 14,000 memberships in the "Employees' Stock Purchase Plan of Sun Oil Co. and Subsidiaries" and 122,700 shares of common stock (no par) to be reserved for sale to trustees of the plan during July, 1953; also 139,762 additional shares of common stock "for possible public sale by selling stockholders during the period of July 1, 1953 to June 30, 1954." **Underwriter**—None.

Sunray Oil Corp., Tulsa, Okla. (5/14)
April 21 filed 719,881 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To The Atlas Corp., the selling stockholder. **Underwriter** — Eastman, Dillon & Co., New York.

★ Sunset Oil Co., Los Angeles, Calif.
April 21 (letter of notification) 50,000 shares of common stock (par $1) to be offered for subscription by common stockholders on a pro rata basis. **Price** — $6 per share. **Proceeds** — To complete plant. **Office** — 3450 Wilshire Blvd., Los Angeles, Calif. **Underwriter**—None.

★ Sure-Seal Corp., Salt Lake City, Utah
April 23 (letter of notification) 6,250 shares of non-voting common stock (par $10), 6,250 shares of 5% preferred stock (par $20) and 6,250 shares of voting common stock (par $10) to be offered in units of one share of each class of stock. **Price**—$40 per unit. **Proceeds**—For working capital. **Office**—3955 South State St., Salt Lake City, Utah. **Underwriter**—None.

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★ Suseco Co., Salt Lake City, Utah
April 23 (letter of notification) 6,250 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—3955 South State St., Salt Lake City, Utah. **Underwriter**—None.

Taylorcraft, Inc., Conway, Pa.
April 7 (letter of notification) 80,000 shares of common stock (par $1). **Price**—$1.75 per share. **Proceeds**—For working capital. **Underwriter** — Graham & Co., Pittsburgh, Pa.

Tennessee Gas Transmission Co. (5/5)
April 10 filed 1,000,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To purchase up to 375,000 shares of capital stock of American Republics Corp., constituting a 25% stock interest. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., both of New York.

★ Tennessee Gas Transmission Co.
April 27 filed $1,200,000 of "contributions to be made by employees of company to the thrift plan." **Underwriter**—None.

★ Texas Eastern Production Corp. (5/12-13)
April 24 filed 1,832,892 shares of common stock (par $5) to be offered for subscription by common stockholders of Texas Eastern Transmission Corp. (parent) of record May 8, 1953 at rate of one share of Production common for each three shares of Transmission common stock held. **Price**—To be supplied by amendment. **Proceeds**—To repay a $10,000,000 loan obtained or to be obtained to finance the purchase for $9,000,000 of properties in the so-called West Hamshire Field in Texas and the balance will be used to provide additional working captial. **Underwriter** — Dillon, Read & Co. Inc., New York.

Texas Power & Light Co. (5/18)
April 13 filed $5,000,000 first mortgage bonds due 1983. **Proceeds**—To reduce bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Union Securities Corp.; Hemphill, Noyes & Co. and Drexel & Co. (jointly); White, Weld & Co.; Lehman Brothers; Salomon Bros. & Hutzler. **Bids**—To be received up to 11:30 a.m. (EDT) on May 18 at Two Rector St., New York, N. Y.

Texas Power & Light Co. (5/18)
April 13 filed 70,000 shares of cumulative preferred stock (no par). **Proceeds**—To retire bank loans and for additions and improvements. **Underwriter** — May be determined by competitive bidding. Probable bidders: Union Securities Corp., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); White, Weld & Co.; The First Boston Corp; Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly). **Bids**—To be received up to 11:30 a.m. (EDT) on May 18 at Two Rector St., New York, N. Y.

● Texas Western Oil Co., Inc. (5/4-11)
March 24 (letter of notification) 250,000 shares of capital stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To drill wells. **Office** — 116A City National Bank Bldg., Houston, Texas. **Underwriter** — Walter Aronheim, 82 Beaver St., New York.

★ Transgulf Corp., New York
April 3 (letter of notification) 165,000 shares of common stock. **Price**—30 cents per share. **Proceeds**—To rework and acidize wells. **Office**—Room 2334, 90 Broad St., New York, N. Y. **Underwriter**—None.

● Union Tank Car Co. (5/5-6)
April 15 filed $20,000,000 of sinking fund debentures to be dated April 15, 1953 and to mature April 15, 1973. **Price**—To be supplied by amendment. **Proceeds**—To retire $15,000,000 bank loans and for general corporate purposes including the construction of new tank cars. **Underwriter**—Smith, Barney & Co., New York.

● Union Wire Rope Corp.
March 30 filed 100,000 shares of capital stock (par $5), of which 50,000 shares are being offered for subscription by stockholders of record April 20 at rate of one new share for each 10 shares held (with an oversubscription privilege); 33,300 shares will be sold to one subscriber; and the remaining 16,700 shares will be offered publicy together with any unsubscribed shares. Subscription rights will expire on May 8. **Price**—$15 per share. **Proceeds**—For expansion program and working capital. **Underwriter**—P. W. Brooks & Co., Inc., New York.

★ United Park City Mines Co., Salt Lake City, Utah
April 21 (letter of notification) 10,397 shares of capital stock. **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—Kearns Bldg., Salt Lake City, Utah. **Underwriter**—None.

United Rayon Manufacturing Corp., Arnheim, The Netherlands
See under Algemene Kunstzijde Unie N. V. above.

★ Vandersee Engineering Co., Reno, Nev.
April 23 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For machinery and equipment. **Office**—139 No. Virginia St., Reno, Nev. **Underwriter**—None.

Vault Co. of America, Davenport, Iowa
March 2 (letter of notification) 10,000 shares of common stock. **Price** — $10 per share. **Proceeds** — For working capital. **Underwriter**—A. J. Boldt & Co., Davenport, Ia.

★ Walburt Oils Ltd., Toronto, Canada
April 24 filed 660,000 shares of common stock (par $1). **Price**—$1.02 per share in U. S. and $1 per share in Canada. **Proceeds** — For general corporate purposes. **Underwriter**—Sidney S. Walcott, President of company.

● Washington Gas Light Co.
April 8 filed 84,967 shares of common stock (no par) being offered for subscription by common stockholders of record April 27 at rate of one new share for each 10 shares held; rights to expire on May 14. **Price**—$28.25 per share. **Proceeds**—For new construction. **Underwriters**—The First Boston Corp., New York; and Johnston, Lemon & Co., Washington, D. C.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

★ West Star Mining Co., Coeur d'Alene, Idaho
April 20 (letter of notification) 100,000 shares of common stock. **Price** — 50 cents per share. **Proceeds** — For exploration and mining expenses. **Office**—1221 Sixth St., Coeur d'Alene, Idaho. **Underwriter**—None.

★ Western Homestead Oils, Ltd., Calgary, Alta, Canada
April 24 filed 1,000,000 shares of capital stock (par 10 cents). **Price**—$1.30 per share for first 400,000 shares. **Proceeds**—For general corporate purposes. **Underwriter**—Owen Investors Ltd., of Toronto, Canada, through E. H. Pooler & Co., also of Toronto.

Western Safflower Corp.
April 9 (letter of notification) 240,000 shares of common stock (par 25 cents). **Price**—$1.25 per share. **Proceeds**—To construct plant. **Office**—First National Bank Bldg., Colorado Springs, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Wisconsin Public Service Corp. (5/5)
March 30 filed $8,000,000 first mortgage bonds due May 1, 1983. **Proceeds**—To repay $6,300,000 bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); Harris, Hall & Co. (Inc.); Carl M. Loeb, Rhoades & Co. **Bids**—Scheduled to be received up to 11 a.m. (CDT) on May 5 at 231 So. La Salle St., Chicago 4, Ill.

★ Woodley Petroleum Co., Houston, Tex. (5/12)
April 21 filed $2,500,000 of sinking fund debentures due 1968 and 50,000 shares of cumulative convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To be applied to the activities of the company's Canadian subsidiary **Underwriter** — A. G. Becker & Co., Inc., Chicago, Ill.

Prospective Offerings

Allis-Chalmers Mfg. Co.
April 7 it was announced stockholders on May 6 will vote on increasing authorized common stock from 3,750,000 shares (no par) to 5,000,000 shares (par $20). It is not presently planned to issue any of the additional stock. **Underwriter**—Previous financing was handled by Blyth & Co., Inc.

American Gas & Electric Co. (6/9)
April 6 it was announced company plans to issue and sell 800,000 additional shares of common stock (par $5). **Proceeds**—To be invested in operating subsidiaries. **Underwriters** — To be determined by competitive bidding. Probable bidders: First Boston Corp.; Union Securities Corp.; Blyth & Co., Inc., and Goldman, Sachs & Co. (jointly). **Registration**—Expected about middle of May. **Bids**—To be received early in June.

★ Arkansas Fuel Oil Corp.
April 24 it was announced that company plans issuance and sale of $23,000,000 of sinking fund debentures, due 1973, which are first to be offered in exchange for Arkansas Natural Gas Corp. preferred stock on a basis of $10.60 per share. **Proceeds** — To retire said preferred stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Equitable Securities Corp.; Smith, Barney & Co.; Blyth & Co., Inc. **Offering**—Expected in June.

Arkansas Power & Light Co.
Feb. 2 it was announced company may issue and sell, probably in June, 1953, about $18,000,000 of first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co.; Equitable Securities Corp. and Central Republic Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

Arkansas Power & Light Co.
March 20 it was announced that company may consider refunding the outstanding 47,609 shares of $7 preferred stock (no par) and 45,891 shares of $6 preferred stock (no par), both callable at $110 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc, and Equitable Securities Corp. (jointly); W. C. Langley & Co., and The First Boston Corp. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.

Atlantic Refining Co.
March 27 it was announced that proposed debenture issue later this year will be around $60,000,000. The exact nature and timing of the financing are still to be determined. Stockholders will vote May 5 on increasing authorized debt from $75,000,000 to $150,000,000. **Proceeds**—To be used to help pay for a $100,000,000 construction program for 1953. **Underwriters**—Smith, Barney & Co. may head group.

● Bangor & Aroostook RR. (5/25)
Bids will be received by the RFC at Room 1157, 811 Vermont Ave., N. W., Washington, D. C., prior to 5:30 p.m. (EDT) on May 25 for the purchase from it of $1,675,000 of collateral trust 4% bonds due July 1, 1961. Probable bidders: Halsey, Stuart & Co., Inc.; Blyth & Co., Inc.

★ Beryllium Corp.
April 23 it was reported company plans to offer additional shares of capital stock (no par) to stockholders on the basis sufficient to raise about $2,500,000 of new money. **Underwriter**—Francis I. du Pont & Co., New York. **Offering**—Expected in June.

★ Boston Edison Co., Boston, Mass.
April 27 it was announced stockholders will vote June 2 on approving a proposal to offer 246,866 shares of capital stock (par $25) to stockholders on the basis of one new share for each 10 shares held (with an oversubscription privilege). **Proceeds** — For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blyth & Co., Inc.; Smith, Barney & Co.; Harriman Ripley & Co., Inc.

Central Foundry Co.
March 16 directors voted to offer rights to present preferred and common stockholders to subscribe for additional common stock in the ratio of one share of common stock for each four shares of either common or preferred stock held. **Underwriter**—To be named later. Fred J. Young of F. J. Young & Co., New York is a director.

Central Hudson Gas & Electric Corp.
March 3 it was announced that some portion of the company's financing program for 1953-1954 will involve the sale of $16,550,000 new securities, a portion of which will involve common stock or debt securities convertible into common stock. Stockholders at the annual meeting March 24 voted to authorize an additional 1,000,000 shares of common stock. **Underwriters** — Kidder, Peabody & Co. and Estabrook & Co. handled offering in November, 1949, of $6,000,000 2% convertible debentures.

Central Illinois Public Service Co.
March 26 it was reported that the company may about mid-July sell about $6,000,000 additional common stock (first to common stockholders). **Underwriter**—The First Boston Corp., New York.

● Central Louisiana Electric Co., Inc.
April 16 stockholders authorized a block of the authorized common stock for issuance and sale locally in the parishes in which the facilities of the company are located, such stock not to exceed $300,000 in aggregate market value. They also approved issuance of securities convertible into shares of any class of capital stock.

Central Maine Power Co.
Jan. 2 it was reported company plans sale later this year of $10,000,000 common stock (in addition to $10,000,000 of 1st & gen. mtge. bonds sold March 10, 1953), after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

Central Power & Light Co.
March 2 it was reported company may issue and sell 50,000 shares of new preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co., Inc., Harriman Ripley & Co., Inc. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler.

● Chicago Great Western Ry.
March 17 company asked ICC permission to issue and sell $6,000,000 collateral trust bonds due 1978, to be secured by $9,000,000 4% first mortgage bonds due in 1988. **Proceeds**—To pay off $3,000,000 of notes and for working capital. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Only one bid was received on April 23—from a Halsey, Stuart & Co. Inc., Union Securities Corp. group—which was rejected.

Cincinnati Gas & Electric Co.
March 31 it was revealed the company plans to raise $35,000,000 through sale of new securities (mostly bonds). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc., and The First Boston Corp. (jointly); Union Securities Corp.; Glore, Forgan & Co. and White, Weld & Co. (jointly); W. C. Langley & Co.; Lehman Brothers; Harriman Ripley & Co., Inc.; Merrill

Lynch, Pierce, Fenner & Beane. Previous equity financing was underwritten by Morgan Stanley & Co. and W. E. Hutton & Co.

Cinerama Productions Corp.
Jan. 9 it was reported company plans issuance and sale of about 500,000 shares of common stock. **Price**—Expected to be around $10 per share. **Underwriter**—Hayden, Stone & Co., New York. **Offering**—Postponed.

● **Colonial Trust Co. of Wilmington, Del.**
Stockholders of record April 23 have received the right to subscribe on or before May 12 for 4,028 additional shares of capital stock (par $10) on the basis of one new share for each three shares held. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Laird, Bissell & Meeds, Wilmington, Del.

Columbia Gas System, Inc.
April 6 it was announced company plans to issue and sell later this year $40,000,000 of new debentures. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

● **Delaware Power & Light Co.**
April 21 stockholders approved a proposal to increase the authorized preferred stock from 200,000 shares to 300,000 shares (par $100). Probable bidders for any new preferred stock financing may include Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co. Stuart Cooper, President, said it is possible that common stock may be sold later in the year.

Denver & Rio Grande Western RR. (8/3)
Bids are expected to be received by the company on or about Aug. 3 for the purchase from it of $3,300,000 equipment trust certificates due semi-annually from Nov. 1, 1953, to May 1, 1968, inclusive, and on or about Oct. 1 of a like amount of said certificates. **Probable bidders**: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

● **Detroit Edison Co.**
March 24 it was announced company plans to issue an unspecified amount of convertible debenures due 1963 (about $55,000,000 to carry an interest rate not exceeding 4%) which may first be offered for subscription by stockholders. **Proceeds**—To retire bank loans and to meet construction costs. **Meeting**—Stockholders on April 14 authorized the new debentures. **Underwriter**—None.

Eastern Utilities Associates
Feb. 20 it was announced company plans sale of $7,000,000 collateral trust mortgage bonds due 1973. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp., White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

El Paso Natural Gas Co.
March 25 it was announced company plans to place privately $120,000,000 of first mortgage bonds and sell publicly 200,000 shares of preferred stock and $25,000,000 debentures. **Underwriter**—White, Weld & Co., N. Y.

General Public Utilities Corp. (6/4)
April 6, A. F. Tegen, President, announced that the company plans to offer about $16,000,000 of common stock (approximately 568,756 shares) to its stockholders about June 4 on a 1-for-15 basis. There are 8,531,329 shares (par $5) presently outstanding. **Proceeds**—For investments in subsidiaries. **Underwriter** — None. Merrill Lynch, Pierce, Fenner & Beane, New York, acted as clearing agent in previous stock offer.

Government Employees Corp., Washington, D. C.
March 18 stockholders authorized an issue of 3,000 shares of preferred stock (par $100) to carry a cumulative dividend rate not to exceed 6% annually. The management states that, under present plans, these shares will be issued as the growth of the corporation warrants.

Government Employees Corp. (5/26)
March 18 directors authorized an offering of 12,000 shares of common stock (par $5) to stockholders of record April 28 at rate of one new share for each five shares held (not taking into account 3,000 shares to be issued as a stock dividend on May 26); rights are to expire on June 24. Subscription warrants are to be issued on the latter date. **Price**—$15 per share.

Greenwich Gas Co.
April 13 it was reported company plans to issue and sell $200,000 of first mortgage bonds and $483,000 of common stock (the latter first to stockholders). **Proceeds**—To retire bank loans. **Underwriter**—F. L. Putnam & Co., Boston, Mass.

Gulf Interstate Gas Co., Houston, Tex.
Sept. 16 company applied to the FPC for authority to construct an 860-mile pipeline extending from southern Louisiana to a point in northeastern Kentucky. This project would cost about $127,887,000. Transportation of gas is expected to commence by Nov. 1, 1954. To finance the line company plans sale of bonds and stock (75% and 25%, respectively). **Underwriter**—May be Carl M. Loeb, Rhoades & Co., New York.

● **Gulf Power Co. (6/9)**
April 27 SEC approval was sought to issue and sell $7,000,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Drexel & Co. (jointly); Union Securities Corp.; Equitable Securities Corp.; Lehman Brothers. **Registration**—Planned for May 8. **Bids**—Tentatively expected at 11 a.m. (EDT) on June 9.

Gulf States Utilities Co.
March 26 it was announced company has filed an application with the FPC proposing the issuance of 781,042 shares of common stock (no par) to common stockholders as a stock distribution on the basis of one new share for each four shares held on or about May 8. [It had previously been erroneously reported that the new shares were to be offered for sale to stockholders.]

★ **Honolulu (T. H.) (5/7)**
April 27 it was announced an issue of $3,000,000 various purpose bonds to be dated July 1, 1953, and to mature July 1, 1958-1983, inclusive, would be sold on May 7.

Iowa Electric Light & Power Co.
April 13 it was reported company may sell in June some common and preferred stock and/or debentures. **Underwriters** — For stock: The First Boston Corp. and G. H. Walker & Co., both of New York. Previous debt financing was done privately.

● **Iowa Public Service Co. (6/9)**
April 22 company applied to FPC for authority to issue and sell $7,500,000 first mortgage bonds due June 1, 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers, Bear, Stearns & Co. and L. F. Rothschild & Co. (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly). **Bids**—Expected to be received on June 9.

Jasco, Inc. (Del.) (4/30)
Bids will be received up to 3 p.m. (EDT) on April 30 for the purchase from the office of Alien Property, 346 Broadway, New York 13, N. Y., of its 50% ownership (5 shares) in this corporation. The other 50% interest is held by Standard Oil Development Co., a subsidiary of Standard Oil Co. (New Jersey).

Long Island Lighting Co.
April 21 it was announced that company this Fall plans to issue and sell in the neighborhood of 600,000 shares of new common stock to be followed in the latter part of the year by an issue of about $25,000,000 of first mortgage bonds (this is in addition to 100,000 shares of series C preferred stock, par $100, registered with the SEC on April 6). **Proceeds**—To repay bank loans and for new construction. **Underwriters** — (1) For common stock, probably Blyth & Co., Inc. and The First Boston Corp. (jointly). (2) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co.

Louisiana Power & Light Co.
March 20 it was announced company may issue and sell in June $12,000,000 of first mortgage bonds. **Underwriters** — To be determined by competitive bidding Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and A. C. Allyn & Co., Inc. (jointly); Blyth & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler; W. C. Langley & Co., The First Boston Corp., and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp.

Maier Brewing Co., Los Angeles, Calif.
April 18 it was announced company will offer 400,000 additional shares of common stock to its stockholders at rate of four new shares for each share held. **Price**—$5 per share. **Proceeds** — To help finance a new bottling plant. **Underwriter**—None.

Menabi Exploration Co., Inc., Houston, Tex.
April 8 it was announced company plans to issue and sell $1,000,000 of convertible debentures. **Proceeds**—To finance development of oil properties in Ecuador. **Underwriter**—Kidder, Peabody & Co., New York.

● **Minneapolis-Honeywell Regulator Co.**
April 28 stockholders approved a proposal increasing authorized common stock (par $1.50) from 3,440,000 to 3,950,000 shares and the preference stock (par $100) from 160,000 to 210,000 shares. Immediate issuance of increased stock not planned. **Underwriter**—Probably Union Securities Corp., New York.

Mississippi Power & Light Co.
March 20, E. H. Dixon, President of Middle South Utilities, Inc., announced that refunding of Mississippi Power & Light Co.'s $6 preferred stock (no par), of which 44,476 shares are now outstanding, may be considered. This issue is callable at $110 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and Equitable Securities Corp. (jointly; W. C. Langley & Co., and The First Boston Corp. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.

Mobile Gas Service Corp.
March 6, Maurice White, President, announced that, after proposed two-for-one split-up to be voted upon April 24, the company will offer to its stockholders 40,000 shares of additional common stock on a one-for-five basis. **Proceeds** — For construction program. **Underwriters** — To be named later.

Monongahela Power Co.
Dec. 11 it was announced company plans issuance and sale near the middle of 1953 of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and the First Boston Corp. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Glore, Forgan & Co.; Lehman Brothers; Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.

National Ceramic Co., Trenton, N. J. (4/30)
March 29 it was announced that sealed bids will be received on or before April 30 by Surrogate of Mercer County, at Trenton, N. J., for the purchase of a majority stock interest in this company. Bids will be opened by the court at 2 p.m. (EDT) on May 1.

★ **New England Electric System (6/10)**
April 22 filed an application with the SEC for authority to issue 828,516 additional shares of common stock (par $1) to be offered for subscription by common stockholders of record June 11 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on or about June 25. Warrants are expected to be mailed on June 11. **Price**—To be set by company on June 8. **Proceeds**—For expansion program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—To be received on June 10.

New Jersey Power & Light Co.
April 15 company applied to SEC for authority to issue and sell $5,500,000 first mortgage bonds due May 1, 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Union Securities Corp. and White Weld & Co. (jointly); The First Boston Corp. and Kidder, Peabody & Co. (jointly); Carl M. Loeb, Rhoades & Co.; Equitable Securities Corp.; Kuhn, Loeb & Co., Lehman Brothers and Goldman, Sachs & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Offering**—Probably in May.

New York State Electric & Gas Corp.
Feb. 27 it was reported that company may, later in 1953, issue and sell $20,000,000 first mortgage bonds (following private sale of 75,000 shares of 4.40% preferred stock, par $100, and $5,000,000 of 3¾% debentures due 1991 (latter expected in April). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.

● **New York Telephone Co. (6/23)**
Feb. 26 company applied to New York P. S. Commission for permission to issue and sell $35,000,000 of refunding mortgage bonds, series G due 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on June 23. **Registration**—Expected about May 22. **Stock Offering**—Company also plans to issue and sell to American Telephone & Telegraph Co., its parent, 700,000 additional shares of common stock (par $100).

Northern Natural Gas Co.
Feb. 27, H. H. Siert, Treasurer, announced that following the proposed offering in May of 548,100 shares of common stock to stockholders, the company plans to issue and sell $40,000,000 of new debentures. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly). **Offering**—Expected in June.

Northwest Natural Gas Co.
March 23 it was reported that this company plans to finance its proposed 1,300-mile pipeline from Canada to the Pacific Northwest by the issuance and sale of $66,000,000 of 4½% first mortgage pipeline bonds to insurance companies and other institutional investors and $9,000,000 of 5% debentures and 1,400,000 shares of common stock at $10 per share publicly in the United States and Canada. **Underwriter**—Morgan Stanley & Co., New York.

Oklahoma Natural Gas Co.
Feb. 24 it was announced that the directors were considering authorizing an offering of a sufficient number of shares of new common stock (par $7.50) to raise $4,000,000. This would follow proposed stock split of present authorized 1,639,884 shares of $15 par value into 3,279,768 shares of $7.50 par value. Proceeds would be used for the company's construction program. Underwriters will be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Shields & Co.; Lehman Brothers and Harriman Ripley & Co., Inc. (jointly). **Offering**—Expected in June.

Ormond Corp., Albuquerque, N. M.
March 10 it was announced company plans to register with the SEC an issue of stock, which will be offered nationally. **Office**—5003 Central Avenue, N. E., Albuquerque, N. M.

Pacific Northwest Pipeline Corp.
Jan 29 company received FPC permission to file a third substitute application proposing to construct a 1,466-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost

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of the project is $186,000,000, including $2,000,000 for working capital. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp. Ltd., Toronto, Canada.

Pacific Telephone & Telegraph Co.
Dec. 17 Mark R. Sullivan, President, announced that company in 1953 will borrow some $125,000,000 from banks to be refinanced later in year, probably by offering of bonds and additional common stock. Probable bidders for bonds: Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.; White, Weld & Co.; Lehman Borthers and Union Securities Corp. (jointly). Stock would be offered to stockholders, without underwriting. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific common shares.

Pennsylvania Electric Co. (6/23)
April 1 it was reported company plans to issue and sell in June about $12,500,000 first mortgage bonds due 1983 and a like amount later on. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; The First Boston Corp.; Equitable Securities Corp. **Bids**—Tentatively set for 11 a.m. (EDT) on June 23. **Registration**—Expected on May 12.

Permian Basin Pipeline Co., Chicago, Ill.
Feb. 4 company filed an amended application with FPC for authority to construct a 163-mile pipeline system at an estimated cost of $40,269,000. Probable underwriters for convertible notes and stock; Stone & Webster Securities Corp.; and Glore, Forgan & Co., both of New York. Of the stock of this company, 51% is now owned by Northern Natural Gas Co.

Pittston Co.
April 7 it was announced stockholders on May 6 will vote on approving a $20,000,000 financing program which may involve the private placement of $2,000,000 of preferred stock and the sale, partly public and part privately of $6,000,000 of collateral trust notes and $12,000,000 of collateral trust bonds. **Underwriter**—Blair, Rollins & Co.

Public Service Co. of Indiana, Inc.
April 10 it was announced that company plans to issue and sell 600,000 shares of preferred stock (par $25) and to offer to common stockholders on a 1-for-8 basis 472,000 shares of common stock. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., handled previous financing.

Public Service Co. of New Hampshire
Nov. 3 it was announced company plans to issue and sell approximately $5,000,000 of bonds in May or June, 1953, and in the latter part of 1953 to issue sufficient common shares to raise about $4,000,000. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: For bonds, Halsey, Stuart & Co. Inc.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co.; White, Weld & Co. For stock: Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc.

Public Service Co. of Oklahoma
March 2 it was reported company may issue and sell 40,000 shares of new preferred stock (par $100). **Underwriters** — To be determined by competitive bidding. Probable bidders: Glore, Forgan & Co.; Smith, Barney & Co.; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc., and Central Republic Co. (Inc.). **Proceeds**—For additions and improvements.

Public Service Electric & Gas Co.
Feb. 25 it was announced company plans issuance and sale in June of $50,000,000 of first refunding mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp.

• Reading Co. (5/13)
Bids will be received by the company in Philadelphia, Pa., up to noon (EDT) May 13 for the purchase from it of $4,350,000 of equipment trust certificates series U, to mature in 30 equal semi-annual installments to June 1, 1968. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Remington Corp., Auburn, N. Y.
April 14, Herbert L. Laube, President, following approval of the increase and split-up of common and preferred stock, stated that the increased capitalization is necessary because the profit left after today's taxes is far from enough to finance this corporation's continued growth. The common was increased from 50,000 shares, par $5, to 1,000,000 shares, par $1, and split-up on a 5-for-1 basis, and the preferred stock increased from 2,500 shares, par $25, to 50,000 shares, par $10, and split-up on a 2½-for-1 basis.

St. Louis-San Francisco Ry. (4/30)
Bids will be received by the company at 120 Broadway, New York 5, N. Y., up to noon (EDT) on April 30 for the purchase from it of $5,175,000 equipment trust certificates, series L, to mature in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

• Sears, Roebuck & Co., Chicago, Ill.
April 6 it was announced company plans to raise about $50,000,000 by offering shortly to its stockholders about 1,000,000 shares of capital stock (no par). On April 27, stockholders approved an increase in the authorized capital stock to 27,500,000 shares from 25,000,000 shares (24,167,840 shares outstanding at Jan. 31, 1953, with 478,673 shares reserved for issuance to employees under a stock option plan). However, Robert E. Wood, Chairman, announced that there were now no plans for such an offering in the immediate future. **Proceeds**—Were to be utilized for general business purposes. **Underwriter**—None.

Shield Chemical Corp., Verona, N. J. (5/25)
March 26 it was reported company plans to issue and sell about $300,000 of common stock. **Proceeds**—For working capital. **Underwriter**—Peter W. Spiess & Co., New York.

Smith (Alexander), Inc.
April 16 it was announced stockholders will vote May 20 on authorizing $4,689,625 of convertible subordinated debentures, which may be first offered for subscription by common stockholders at rate of $100 of debentures for each 20 shares held, this sale to be contingent upon the sale of Sloane Blabon Corp., a wholly-owned subsidiary, on or before May 20. **Proceeds**—From sale of debentures plus $4,600,000 from insurance loan, to complete new plant at Greenville, Miss.; to make improvements at Yonkers, N. Y. plant; and for working capital. **Underwriters**—May be Morgan Stanley & Co. and Dominick & Dominick.

South Carolina Natural Gas Co.
Feb. 19 it was announced a FPC Presiding Examiner filed a decision, subject to Commission review, authorizing company to construct approximately 160 miles of pipeline at an estimated cost of $5,945,000. Securities may be sold privately through competitive sale.

South Georgia Natural Gas Co.
Feb. 19 it was announced a FPC Presiding Examiner filed a decision, subject to Commission review, authorizing the company to construct 335 miles of pipeline in Alabama, Georgia and Florida at an estimated cost of $8,141,518.

• Southern California Edison Co.
April 23, William C. Mullendore, President, stated that company is considering selling sufficient securities later in the year to raise approximately $30,000,000. **Proceeds**—For 1953 construction program. **Underwriters**—May be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Blyth & Co., Inc.; Kuhn, Loeb & Co. Probable bidders for preferred: The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly).

Southwestern Gas & Electric Co.
Feb. 25 it was reported company later this year may issue and sell 50,000 shares of cumulative preferred stock (par $100). **Underwriters** — May be determined by competitive bidding. Probable bidders: White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co and Paine, Webber, Jackson & Curtis (jointly); Harriman Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Blyth & Co. Inc., and Stone & Webster Securities Corp. (jointly).

Strategic Materials Corp., Buffalo, N. Y.
April 14 it was reported company plans to offer for subscription by its common stockholders about $1,000,000 of additional common stock. **Underwriters**—Hamlin & Lunt, Buffalo, N. Y., and Allen & Co., New York.

Tennessee Gas Transmission Co.
March 27 it was reported company expects to do some debt financing this Fall (under $50,000,000) to replace short-term bank loans. (This is in addition to 1,000,000 shares of common stock filed with SEC on April 10—see above.) Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Texas Illinois Natural Gas Pipeline Co.
Feb. 24 it was announced that company will issue and sell bonds and common stock in the ratio of 75% and 25%, respectively. It is anticipated that Peoples Gas Light & Coke Co. will subscribe for about 67% of the common stock and for any additional shares not subscribed for by other stockholders or their assignees. Proceeds would be used for expansion program.

★ Texas Industries, Inc., Dallas, Texas
April 21 it was reported early registration is expected of $3,500,000 6% debentures due 1968 (with common stock warrants attached). **Underwriters** — Rauscher, Pierce & Co., Dallas, Tex.; A. C. Allyn & Co., Inc., Chicago, Ill., and Russ & Co., San Antonio, Tex.

• Texas Utilities Co. (6/2)
Feb. 26 it was announced company plans to sell additional common stock (no par) sufficient to raise about $15,000,000 of new money. **Proceeds** — To increase investments in subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp., Blyth & Co., Inc., First Southwest Co., Rauscher, Pierce & Co., Inc. and Dallas Union Trust Co. (jointly); Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Goldman, Sachs & Co. and Harriman Ripley & Co., Inc (jointly). **Bids** — Tentatively scheduled to be received on June 2. **Registration**—Expected today (April 30).

Toledo Edison Co.
April 21 stockholders approved a proposal to increase the authorized common stock from 5,000,000 to 7,500,000 shares and to amend the articles of incorporation so as to provide that the limit on the amount of unsecured indebtedness that the company may create, without consent of majority of the preferred stockholders shall be 20% (instead of 10%) of the aggregate of company's secured indebtedness and capital and surplus. Charles E. Ide, President, stated that the management has no present plans to issue new common shares. The First Boston Corp. and Collin, Norton & Co. handled latest common stock financing. Probable bidders on any bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Smith, Barney & Co.

United Gas Corp.
Feb. 11 it was reported company may issue and sell in June approximately $20,000,000 of common stock to common stockholders on a 1-for-15 basis and $30,000,000 of debentures. **Proceeds**—For 1953 construction program. **Underwriters**—For stock, none. For debentures, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly); The First Boston Corp., Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly).

Utah Power & Light Co.
March 16 it was announced stockholders will vote May 18 on increasing the authorized common stock from 2,000,000 shares (1,842,500 shares outstanding) to 2,500,000 shares in order to provide additional stock for future needs. Company's construction program for the three years (1953-1955) is estimated at $42,000,000.

Walworth Co.
March 25 stockholders voted to increase authorized common stock from 1,900,000 shares to 2,500,000 shares and to grant directors right to issue all or part of increased stock without prior offering to stockholders; also to reserve part of the additional shares for issue upon conversion of convertible 3¼% debentures due May 1, 1976. **Underwriter**—May be Paine, Webber, Jackson & Curtis, New York and Boston.

Washington Gas Light Co.
April 8 it was reported company plans to issue and sell $7,000,000 of refunding mortgage bonds. **Proceeds**—For new construction. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co.; Union Securities Corp. **Bids**—Expected to be received in June.

Washington Water Power Co.
April 10 it was announced directors have approved the issuance and sale in May of $10,000,000 of first mortgage bonds and $18,000,000 of debentures. **Proceeds**—To repay $24,000,000 of bank loans and to redeem 35,000 shares of $6 preferred stock at $110 per share. **Underwriters.**—If competitive, bidders may include: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Lehman Brothers (jointly); Blyth & Co., Inc., Smith, Barney & Co. and White, Weld & Co (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly). However, both issues may be sold privately through Kidder, Peabody & Co.

West Texas Utilities Co.
March 2 it was reported that company plans issuance and sale of 100,000 shares of new preferred stock. **Underwriters** — May be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Harriman Ripley & Co., Inc.; Union Securities Corp.

Westcoast Transmission Co.
April 10 it was stated company may issue and sell $59,000,000 of 4% first mortgage bonds to insurance companies (including Prudential Insurance Co. of America, New York Life Insurance Co.; Northwestern Mutual Life Insurance Co. and several Canadian companies); $25,000,000 of 3% to 4% short-term notes to the National City Bank of New York; and about 3,500,000 shares of common stock for about $30,000,000. **Proceeds**—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter**—Eastman, Dillon & Co., New York.

Western Light & Telephone Co., Inc.
April 10 it was announced that stockholders voted to increase the authorized preferred stock (par $25) from 250,000 shares to 400,000 shares and the common stock to 700,000 from 500,000 shares. The sale of about $3,000,000 bonds and 80,000 shares of preferred stock is expected in June. **Proceeds**—For new construction. **Underwriter**—Harris Hall & Co., Inc., Chicago, Ill.; The First Trust Co. of Lincoln (Neb.).

Weston Electrical Instrument Corp.
April 8 it was announced stockholders will vote April 30 on increasing authorized capital stock (par $12.50) from 250,000 shares (160,583 shares outstanding) to 500,000 shares, and on approving the distribution of a 100% stock dividend. Subject to market conditions, the company also plans to offer additional stock to stockholders on a pro rata basis. **Proceeds** — To reduce bank loans of $7,750,000. **Underwriter**—May be named.

Wisconsin Public Service Corp.
March 17 it was reported that the company may, late this year or early in 1954 issue and sell some common stock to round out its financing program. **Underwriter**—May be The First Boston Corp. and Robert W. Baird & Co. (jointly).

Worcester Gas Light Co.
April 2 it was announced company has applied to the Massachusetts Department of Public Utilities for authorization to issue and sell $3,000,000 of 20-year first mortgage bonds. **Proceeds**—To retire bank loans, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co.

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No Grounds for Fear Of Post-Korean Economic Drop: Weeks

fear psychology in the spending public.

More trouble, also, could come if some segments of business join the clamour of pressure groups every time an item is cut from the Federal budget. The way to channel money from taxes back into capital investment for jobs and into the purchasing power of consumers is to reduce the costs of government—item by item—dollar by dollar.

In the Commerce Department we have been combing every conceivable index that reflects current and near future business. Taken together they disclose great strength in our economy.

This does not mean that backlogs of every demand will mount indefinitely or that artificial boosts in certain production will continue until next January. The present boom eventually may taper off into some sort of "normalcy."

But that normal level, itself, will be relatively high and the long-range future prospects much higher.

A business, like a family, has no excuse to fear it is going to starve just because it doesn't have Thanksgiving turkey every day.

I shall not attempt in the time available to enumerate all the favorable factors in the current economic situation. But here are a few points: Personal income is at a seasonally adjusted annual rate of $280.5 billion, which is $3 billion above the monthly average of the final quarter last year. Retail sales are running about 9% above the year ago.

The many plans for capital investment, described to stockholders at annual meetings lately, substantiate what I have been saying recently, namely that our surveys indicate strength in the capital investment field.

Remember, the managements of big and little corporations in writing their plans realized that eventually there would be cutbacks in defense spending—with its temporary effect on the market—and yet they went ahead with their plans. Their vision extended beyond the adjustment period.

As government costs are reduced, as eventual tax cuts are made possible, as wise fiscal policies are put into operation, and as sound money is assured, we all can look ahead with unwavering confidence in the future of the United States.

DIVIDEND NOTICES

The American Tobacco Company

111 Fifth Avenue New York 3, N.Y.

191st Common Dividend

A regular dividend of Seventy-five Cents (75¢) per share has been declared upon the Common Stock of The American Tobacco Company, payable in cash on June 1, 1953, to stockholders of record at the close of business May 8, 1953. Checks will be mailed.

Harry L. Hilyard, *Treasurer*

April 28, 1953

Allied Chemical

Quarterly dividend No. 129 of Sixty Cents ($.60) per share has been declared on the Common Stock of Allied Chemical & Dye Corporation, payable June 10, 1953 to stockholders of record at the close of business May 15, 1953.

W. C. KING, *Secretary*

April 28, 1953.

AMERICAN-Standard

PREFERRED DIVIDEND
COMMON DIVIDEND

A quarterly dividend of $1.75 per share on the Preferred Stock has been declared, payable June 1, 1953 to stockholders of record at the close of business on May 25, 1953.

A dividend of 25 cents per share on the Common Stock has been declared, payable June 24, 1953 to stockholders of record at the close of business on June 3, 1953.

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

JOHN E. KING
Vice President and Treasurer

Borden's

DIVIDEND No. 173

An interim dividend of sixty cents (60¢) per share has been declared on the capital stock of *The Borden Company*, payable June 1, 1953, to stockholders of record at the close of business May 8, 1953.

E. L. NOETZEL

April 28, 1953 *Treasurer*

DIVIDEND NOTICES

AMERICAN & FOREIGN POWER COMPANY INC.

Two Rector Street, New York 6, N. Y.

COMMON STOCK DIVIDEND

The Board of Directors of the Company at a meeting held April 24, 1953, declared a dividend of 15 cents per share on the Common Stock for payment June 10, 1953 to the stockholders of record May 12, 1953.

H. W. BALGOOYEN,
Vice President and Secretary.

April 24, 1953.

Allegheny Ludlum Steel Corporation

Pittsburgh, Penna.

At a meeting of the Board of Directors of the Allegheny Ludlum Steel Corporation held today, April 24, 1953, a dividend of fifty cents (50c) per share was declared on the Common Stock of the Corporation, payable June 30, 1953, to Common stockholders of record at the close of business on June 1, 1953.

The Board also declared a dividend of one dollar nine and three-eighths cents ($1.09375) per share on the $4.375 Cumulative Preferred Stock of the Corporation, payable June 15, 1953, to Preferred stockholders of record at the close of business on June 1, 1953.

S. A. McCASKEY, JR.
Secretary

AVCO "A Family of Famous Names"

The Board of Directors of Avco Manufacturing Corporation has declared a quarterly dividend of 15 cents a share on the Common Stock payable June 20, 1953, to stockholders of record May 29, 1953.

R. S. Pruitt, Secretary

420 Lexington Ave.
New York 17, N.Y.
April 24, 1953

EATON MANUFACTURING COMPANY

Cleveland 10, Ohio

DIVIDEND NO. 124

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Fifty Cents (50¢) per share on the common shares of the Company, payable May 25, 1953, to shareholders of record at the close of business May 5, 1953.

H. C. STUESSY, *Secretary*

Declared on April 24, 1953

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY

Common Stock Dividend

A regular quarterly dividend of forty-one cents ($.41) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable June 10, 1953, to the holders of record at the close of business May 11, 1953.

W. J. ROSE, Secretary.

April 29, 1953.

HARBISON-WALKER REFRACTORIES COMPANY

Pittsburgh Pennsylvania

April 24, 1953

Board of Directors has declared for quarter ending June 30, 1953 DIVIDEND of ONE and ONE-HALF (1½%) PER CENT or $1.50 per share on PREFERRED STOCK, payable July 20, 1953 to shareholders of record July 6, 1953.

Also declared a DIVIDEND of FIFTY CENTS per share on COMMON STOCK, payable June 1, 1953 to shareholders of record May 8, 1953.

Also declared further a 3% COMMON DIVIDEND payable July 1, 1953 at the rate of 3 common shares for each 100 common shares held June 1, 1953. In lieu of fractional shares, cash was directed to be paid at the rate of any applicable fraction times $29, the approximate market value of each common share.

G. F. CRONMILLER, Jr.
Vice President and Secretary

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 139 of one dollar and seventy-five cents ($1.75) per share on the preferred stock payable June 1, 1953, to stockholders of record at the close of business on May 5, 1953.

GERARD J. EGER, Secretary

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its 4¾% Preferred Stock ($30 par)

44 cents per share on its $1.76 Conv. Preferred Stock ($30 par)

30 cents per share on its Common Stock ($15 par)

all dividends payable June 1, 1953, to stockholders of record May 15, 1953.

EDWARD L. SHUTTS,
President.

April 27, 1953

DIVIDEND NOTICES

United States Pipe and Foundry Company

Burlington, N. J., April 23, 1953

The Board of Directors this day declared a quarterly dividend of seventy-five cents (75¢) per share on the outstanding Common Stock of this Company, payable June 19, 1953, to stockholders of record on May 29, 1953.

The transfer books will remain open.

United States Pipe and Foundry Company
JOHN W. BRENNAN, *Secretary & Treasurer*

NATIONAL DISTILLERS PRODUCTS CORPORATION

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 25c per share on the outstanding Common Stock, payable on June 1, 1953, to stockholders of record on May 15, 1953. The transfer books will not close.

THOS. A. CLARK

April 23, 1953. Treasurer

SOCONY-VACUUM OIL COMPANY

INCORPORATED

Dividend No. 169 April 28, 1953

The Board of Directors today declared a quarterly dividend of 50¢ per share on the outstanding capital stock of this Company, payable June 10, 1953, to stockholders of record at the close of business May 8, 1953.

W. D. Bickham, *Secretary*

Southern Railway Company

DIVIDEND NOTICE

New York, April 28, 1953.

A dividend of One Dollar and Twenty-five Cents ($1.25) per share on 1,298,200 shares of Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1952, payable on June 15, 1953, to stockholders of record at the close of business on May 15, 1953.

J. J. MAHER, *Secretary.*

DIVIDEND NOTICES

WEST INDIES SUGAR CORPORATION

60 E. 42nd Street, New York 17, N. Y.

COMMON DIVIDEND No. 31

The Board of Directors has this day declared a quarterly dividend of twenty-five cents (25¢) per share, payable on June 15, 1953 to stockholders of record, June 1, 1953.

Harry E. Green, *Secretary*

April 28, 1953

UNION CARBIDE *AND CARBON CORPORATION*

UCC

A cash dividend of Fifty cents (50¢) per share on the outstanding capital stock of this Corporation has been declared, payable June 1, 1953 to stockholders of record at the close of business May 4, 1953.

KENNETH H. HANNAN,
Secretary and Treasurer

United States Lines Company

Common Stock DIVIDEND

The Board of Directors has authorized the payment of a quarterly dividend of fifty cents ($.50) per share payable June 5, 1953, to holders of Common Stock of record May 22, 1953, who on that date hold regularly issued Common Stock ($1.00 par) of this Company.

CHAS. F. BRADLEY, *Secretary*

One Broadway, New York 4, N. Y.

THE TEXAS COMPANY

—203rd—
Consecutive Dividend

A regular quarterly dividend of seventy-five cents (75¢) per share on the Capital Stock of the Company has been declared this day, payable on June 10, 1953, to stockholders of record at the close of business on May 8, 1953.

The stock transfer books will remain open.

Robert Fisher

April 28, 1953 *Treasurer*

MEETING NOTICES

NORFOLK AND WESTERN RAILWAY COMPANY

Roanoke, Virginia, April 6, 1953.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Norfolk and Western Railway Company will be held, pursuant to the By-laws, at the principal office of the Company in Roanoke, Virginia, on Thursday, May 14, 1953, at 10 o'clock A. M., to elect four Directors for a term of three years.

Stockholders of record at the close of business April 16, 1953, will be entitled to vote at such meeting.

By order of the Board of Directors.
L. W. COX, *Secretary.*

RICHFIELD
dividend notice

The Board of Directors, at a meeting held April 16, 1953, declared a regular quarterly dividend of 75 cents per share on stock of this Corporation for the second quarter of the calendar year 1953, payable June 15, 1953, to stockholders of record at the close of business May 15, 1953.

Cleve B. Bonner, *Secretary*

RICHFIELD
Oil Corporation

Executive Offices: 555 South Flower Street, Los Angeles 17, California

Common and Preferred DIVIDEND NOTICE

April 22, 1953

The Board of Directors of the Company has declared the following regular quarterly dividends, all payable on June 1, 1953, to stockholders of record at the close of business May 8, 1953.

Security	Amount per Share
Preferred Stock, 5.50% First Preferred Series	$1.37½
Preferred Stock, 4.75% Convertible Series	$1.18¾
Preferred Stock, 4.50% Convertible Series	$1.12½
Common Stock	$0.25

J. A. Hoag
Secretary

TEXAS EASTERN *Transmission Corporation*
SHREVEPORT LOUISIANA

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—This is the story of how the House "stopped" public housing for the fiscal year 1953, to the anguish of the left-wing crowd, and to the disapproval of President Eisenhower, BUT cleared the way for a program actually twice as large as that approved by the last Democratic Congress.

When the Appropriations Commitee brought in the Independent Offices appropriations bill, the Committee proposed that there should be no public housing started in fiscal 1954. This action, ratified by the House, brought anguished cries from the Left and the mild expression of disapproval from the President.

Since under the rules of the House the Appropriations Committee is not supposed to "legislate" anything, only appropriations, the supposed ban on public housing had to get a special rule from the Rules Committee. Otherwise the supposed ban on public housing would have been challenged as legislation on an appropriation bill. So Speaker Martin, after this ban was challenged, would have been obliged to rule the housing prohibition as out of order.

The rule was forthcoming and the "ban" was approved by the House.

It now appears that all of this in terms of "stopping" public housing amounts to exactly nothing.

For each of the fiscal years 1951 and 1952, the former President recommended the authorization of 75,000 units of public housing.

For each of those two years, the Congress approved 50,000 units. For the current fiscal year, Congress approved 35,000 housing starts.

Forgot Pending Deals

However, in none of these authorizations did Congress ever put any prohibition upon the number of contracts into which the Public Housing Administration and municipalities could enter to provide for the construction of public housing projects.

So there have accumulated signed, sealed, and delivered, 70,000 units of public housing all contracted for. These all have been approved by the White House. They are solemn obligations of the United States. The local "housing authorities," which are the vehicles set up to channel this Federal benefit to the local communities, are free to go ahead without restraint of any kind whatever, and contract and otherwise arrange to start these projects. The United States is solemnly obligated to pay, over a period of 40 years or less, a sum equivalent to 90% of the cost of these projects in the form of repaying the principal and interest on bonds raised to finance 90% of the cost.

When the current "ban" on public housing starts was put into the legislation by the Appropriations Committee, it neglected to include within the prohibition any contract for public housing in 1954 which was signed before the end of fiscal 1953. In other words, these 70,000 housing units are free and raring to go. Perhaps contracts covering another 2,000 to 3,000 units of public housing will also be signed and approved before June 30, and add to the list of those eligible for construction (and Federal financing) in fiscal 1954.

So if the Senate doesn't take a further hostile act toward public housing, the House in effect has cleared the way for construction of 70,000 units or more, twice the number authorized by the last Democratic Congress for the present fiscal year. The number actually put under construction will fall short of this 70,000 or more units only to the extent that the local housing authorities are unable to take the legal and physical steps necessary to get the projects under way.

All that the House did was to prohibit any new housing starts from any new contracts signed after the new fiscal year begins July 1, not those approved and now pending.

Wants Another 35,000

Nevertheless, Albert M. Cole, Housing and Home Finance Administrator, and former foe as a GOP member of the House from Kansas of the public housing program, has asked that this prohibition be removed. He was speaking for the Eisenhower Administration.

Mr. Cole contended before the Appropriations Committee of the Senate that the prohibition might interrupt the planning of public housing and the inventory of projects ready to get going for fiscal years after 1954. Historically the Senate has been much stronger for public housing than the House, and probably will approve at least this.

It is understood that by a similar species of boner, intentional or otherwise, an attempt to stop lending tens of millions for dormitories for colleges and universities also is a failure. The House itself adopted a "compromise" amendment in effect removing the mandate upon the Federal National Mortgage Association to sell $1 billion out of its inventory of government guaranteed and insured mortgages.

So much of the vaunted economy of the House in housing matters is now a dead letter.

See Brilliant Future For Rubber Plants

Sources close to the rubber industry say that the push which sale of the government-owned synthetic plants will give to that industry will be dramatic. President Eisenhower has left it up pretty much to Congress to frame the legislation setting forth the terms under which these plants will be sold, and legislation probably will be passed for this purpose before the end of the present session of Congress.

Under existing legislation, in which the rubber companies operate the plants on behalf of the government, the companies are obligated to pool any new developments which they put into production.

They are not required to pool their knowledge, however, until they put it into production. Hence many startling developments in rubber have been held back, although proved in the laboratories, until the time when the synthetic plants are privately owned and the forced sharing of spectacular new developments is not required.

When that time comes the industry will then return to a fully competitive system on new kinds, uses, and processes in rubber manufacture. Some of these new developments are said to include synthetic rubber tires that can outlast the average automobile. Another is a rubber carpet, that looks like one made of textiles, which is soil proof, moth proof, fire proof, and of tremendous wearing capacities. When synthetics are in private hands, it is expected also that rubber will be used for footwear and it will be cheaper and more durable than many other leather substitutes, or leather itself.

Agree on Terms

There is general agreement on all points but one of the philosophy which shall govern the sale of these plants. While bids will be sought for these plants, these probably will serve only as guides for negotiated sales.

It is agreed between both the Administration and Congress that the sale of these plants shall be handled in such a way as to leave a competitive pattern in rubber manufacturing. It is also agreed that the arrangements for the sale shall leave small and independent producers of rubber products with a secure supply of synthetic rubber.

Finally, the contracts between the buyers and the government shall require that these plants, even if temporarily idled for any reason, shall be kept in a standby position to produce synthetic rubber in case of war.

The one point in apparent disagreement is over the President's desire that the sale shall contain a clause permitting the government to recapture these plants in case of war. The belief in Congress is that in case of war it will not be necessary for the government to recapture these plants. War would make sure that their use in producing synthetic rubber would be somewhat profitable.

Terms of the legislation providing for the sale of these plants are being worked out by a House Armed Services subcommittee headed by Rep. Paul W. Shafer (R., Mich.). Unofficially it is understood that if Shafer's sub-committee works out a scheme without too much controversy, it will be taken intact by the Senate Armed Services Committee.

Dulles Plan Won't Stop Aid Cut

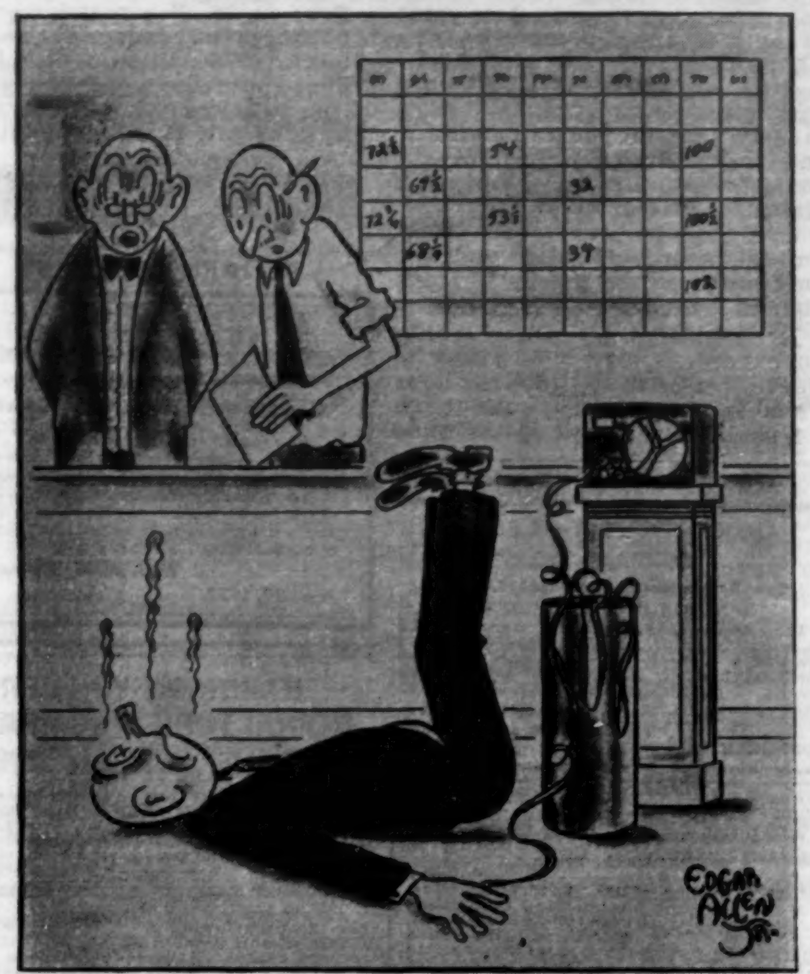
The reported plan of State Secretary Dulles on foreign aid will allay some criticism of foreign aid in Congress. Mr. Dulles reportedly said economic aid as such will be abolished and military aid will be limited to, and be directed for, specific defined undertakings.

The reported abolition of economic aid, however, will not prove as much of a sweetener with Congress as might be expected, because off-shore procurement (letting U. S. procurement contracts in Europe for mutual security) becomes a form of economic aid.

Congress will be most interested in the amount. Economy leaders in Congress are working unofficially toward a goal of a cut of $2.5 billion in foreign aid, and are more interested in the dollar figure than the form of the aid.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"I wish Pittle would learn to adjust himself a bit more to market fluctuations!"

Business Man's Bookshelf

American Bureau of Metal Statistics 32nd Annual Year Book for 1952 (ready in June)—American Bureau of Metal Statistics, 50 Broadway, New York 4, N. Y.—$3.00.

Britain and the United States: Problems in Cooperation—Henry L. Roberts and Paul A. Wilson—Council on Foreign Relations, 58 East 68th Street, New York 21, N. Y.—$3.50 (to members of the Council on Foreign Relations, $3.)

Economics for You and Me—Arthur Upgren and Stahrl Edmunds — The Macmillan Company, 60 Fifth Avenue, New York 11, N. Y.—cloth—$4.00.

Financing Unemployment Compensation—The Tax Foundation, 30 Rockefeller Plaza, New York 20, N. Y.—paper.

Garage Plans and Ideas: How to Build a Better Garage—Strand Garage Door Division, Detroit Steel Products Company, 3273 Griffin Street, Detroit 11, Mich.—10c.

Investments—Julius Grodinsky—The Ronald Press Company, 15 East 26th Street, New York 10, N. Y.—cloth—$6.00.

Washing Our Water: Your Job and Mine — pamphlet discussing the problem of water pollution control—Helen Beal Woodward—Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y.—paper—25c.